Birth of a nation?
Belgium finds a common cause
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Agenda bender
Where Clinton goes next
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Seen from space
But less visible on earth. Inside RTZ
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Role play
Laos wants to be the bridge

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY AUGUST 11 1993 — D8523A

Hochtief invited to bid for big UK rail project

Britain has privately invited a leading German contractor to form a consortium to compete for the contract to build the £2bn-£3bn ($3bn-$4.5bn) high-speed rail link connecting the Channel tunnel with London.

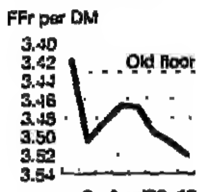
The approach to Hochtief – the contractor responsible for building the Bosphorus Bridge – suggests the UK government is unhappy with the quality of companies which have expressed interest so far. It also suggests the UK is so eager to transfer responsibility for the link to the private sector that it is ready to award the work to continental European contractors with greater financial muscle. Page 10; UK spending cuts put rail sell-off at risk, Page 5

Bank of England warns on inflation: UK prospects for an increase in taxes strengthened after the Bank of England warned that the chances of Britain's maintaining its improved inflation record could be jeopardised by spiralling government borrowing. Page 10; Editorial Comment, Page 9: Lex, Page 10

Nafta uncertain: The future of the North American Free Trade Agreement is uncertain, pending decisions by the US, Canada and Mexico on a handful of politically sensitive side deals on labour and the environment. Page 10; Mexico changes its tune on treaty, Page 4

Franc under pressure against D-Mark:

French franc



Source: FT Graphite

The French franc had another difficult day as currency traders continued to question France's very gradual approach to cutting official interest rates. It lost more than a centime against the D-Mark in active morning trading, and despite attempts to rally during the afternoon, closed in London at FFr3.521 against the D-Mark after Monday's close of FFr3.507. Traders did not think pressure on the franc was likely to ease in the near future, even if the French opt for faster, more significant interest rate cuts. Currencies, Page 26; French call to keep monetary union timetable, Page 2

British Airways reaffirmed its position as one of the strongest carriers in the world as first quarter figures showed operating profits at £108m up from £96m in the first quarter of 1992, in spite of continuing price wars in the industry. Page 15; Austrian Airlines delays alliance decision, Page 12; Fokker results, Page 12

S African regional powers: The second draft of an outline multiracial constitution for South Africa was published, providing a more detailed view of the powers of regions within a future federal state. Page 3

Ferruzzi Finanziaria, Italy's second-biggest private sector company, has revised its losses for the first five months of this year to L1,165bn ($724.95m), more than double the previous figure, reflecting the impact of allegations of cover-ups of earlier undisclosed losses and large-scale bribes to Italy's main political parties. Page 11; 'Mother of all bribes' produces first brood, Page 2

Dresdner Bank, second-largest Germany commercial bank, saw a 14 per cent rise in half-year group operating profits to DM936m ($544m) after a big rise in loan risk provisions. Page 11; Banesto capital raising breaks Spanish records, Page 11

Palestinian peace wrangle widens: Discussions in Tunis between Palestinian leaders over peace talks with Israel, widened to include the entire negotiating delegation and most of the Palestine Liberation Organisation's executive committee, said officials of the PLO. Page 3

Brazil privatisation delay: The Brazilian government has postponed privatisation of the loss-making Cosipa steel mill for the third time. Page 4

Procter & Gamble, US consumer products group, reported that the costs of a large restructuring programme announced last month, and other large one-off charges, helped P&G to an after-tax loss of $656m in its latest financial year. Page 11

Turkish union pay challenge: Turkey's leading union, representing some 550,000 workers in public sector industries, is to strike from August 25 in a challenge to the pay restraint policies of Tansu Çiller, the new prime minister. Page 2

■ STOCK MARKET INDICES

FT-SE 100	2971.6	(-14.8)
Yield	3.85	
FT-SE Eurotrack 100	1261.80	(-8.15)
FT-A All-Share	1476.65	(-0.3%)
Nikkei	20,493.75	(+0.70)
New York lunchtime		
Dow Jones Ind Ave	3555.18	(-10.90)
S&P Composite	449.23	(-1.51)

■ US LUNCHTIME RATES

Federal Funds:	2 11/16%
3-mo Treas Bills: Yld	3.086%
Long Bond	108 3/4
Yield	6.455%

■ LONDON MONEY

3-mo Interbank	5 13/16%	(same)
Liffe long gilt future:	Sep 112 1/32	(Sep 111 15/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$16.47	(16.62)

■ Gold

New York Comex (Aug)	$380.9	(383.3)
London	$378.2	(382.25)

■ STERLING

New York lunchtime:		
$	1.47125	
London:		
$	1.4795	(1.4935)
DM	2.5275	(2.535)
FFr	8.9	(8.89)
SFr	2.245	(same)
Y	154.75	(156.5)
£ Index	81.0	(81.3)

■ DOLLAR

New York lunchtime:		
DM	1.7105	
FFr	6.015	
SFr	1.52	
Y	104.695	
London:		
DM	1.708	(1.697)
FFr	6.015	(5.9525)
SFr	1.518	(1.503)
Y	104.6	(104.85)
$ Index	65.9	(65.8)

Tokyo close Y 104.47

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Peso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Hosokawa stakes leadership on political reforms

By Robert Thomson in Tokyo

MR Morihiro Hosokawa, Japan's new prime minister, yesterday indicated that he was ready to resign if his seven-party coalition government failed to implement promised political reforms by the end of the year.

In his first press conference as prime minister, Mr Hosokawa was blunt in answering questions, providing a stark contrast to the often rambling and unintelligible replies proffered by leaders of previous Liberal Democratic party governments. The LDP has just lost office after governing for 38 years.

But the substance of his answers was not very different. Mr Hosokawa promised to take "full responsibility" if plans to overhaul the electoral system were not realised this year – an answer which, in Japan, means he is willing to resign.

The coalition's priority is to replace a corruption-prone multi-seat constituency system with a combination of single seats and proportional representation. The parties have also promised to introduce a ban on corporate political donations.

Explaining that there should be some continuity, Mr Hosokawa was irritated by suggestions that his coalition's cabinet, dominated by ex-LDP politicians, was the LDP in disguise: "There is a clear difference in the way we will do things. We are not the same."

One difference was in the conduct of the press conference. Mr Hosokawa preferred to stand rather than sit in the velvet chair preferred by his predecessor, Mr Kiichi Miyazawa, and he appeared without his parliamentary badge on his lapel.

Lapel badges are worn by Japanese workers to indicate corporate loyalty, but Mr Hosokawa has suggested that he dislikes the creation of status distinction through badges. When asked yesterday why his lapel was bare, he said it was not his habit to wear the badge outside parliament.

Mr Hosokawa stated clearly that Japan was the aggressor in the second world war, and said the country was still hoping for a settlement with Russia over the disputed Kurile Islands, occupied by Soviet troops at the end of the war. Japan, he said, would continue to provide "appropriate" aid to Moscow.

On trade relations with the US, he said the setting of numerical targets for market share, as Washington has requested, was a violation of market principles, but he conceded that the large trade surplus concerns the new government, which will attempt to improve market access.

He said the government was considering a review of budgetary procedure, which he considers "rigid", and wanted to increase spending that "will improve the quality of people's life". It was unclear whether he was talking about the budget for the year beginning in April.

In handling issues of policy conflict between the conservative coalition members and the left-leaning Social Democratic party, Mr Hosokawa was brief but unclear. For example, he said a rice market opening, opposed by the SDP, was banned by a parliamentary resolution, but did not say if he planned to amend that resolution.

Machinery orders reduce recovery hopes, Page 3

Export-led recovery in Germany is forecast

By Quentin Peel in Bonn

AN EXPORT-LED revival of the German economy next year was forecast yesterday by Mr Günter Rexrodt, the country's economics minister, in spite of the strength of the D-Mark in the European monetary system.

Most economic indicators suggested the sharpest downturn in the German economy since the second world war had bottomed out and a gradual recovery was likely for the rest of the year, Mr Rexrodt said.

He forecast growth of 1.5 per cent for west German gross domestic product in 1994, compared with a decline of the same amount this year.

He warned that unemployment was likely to keep rising in Germany to 4m by the end of the year, with a further increase in 1994. But he rejected calls for an expansion of job-creation schemes in east and west Germany.

While expressing some concern about the revaluation of the German currency against other European Community currencies over the past year, he insisted that the problem should not be "over-dramatised".

He calculated the effect of the currency turmoil in Europe of the past year as an effective revaluation of the D-Mark by 8 per cent against other EC currencies, and 11 per cent against all the currencies of the EC and member states of the European Free Trade Association put together.

At the same time, the revaluation meant cheaper imports, and the D-Mark had moved in the opposite direction against both the dollar and the yen – by 13 per cent and 25 per cent respectively.

Mr Rexrodt said the recent upwards movement of the D-Mark in the currency markets was largely based on speculative money movements, and he discounted big changes in European exchange rate differentials over the longer term.

His cautiously optimistic view was presented in a traditional summer assessment of German economic prospects by the Economics Ministry. He forecast that the inflation rate, currently running at an annual 4.3 per cent in west Germany, would decrease to 4 per cent by the end of the year, and decline further in 1994 – in spite of a sharp increase in oil taxation next year.

"The downward path of the economy has come to a halt," he said, citing both reviving business confidence, and the recovery of demand for German exports. He admitted that domestic industrial demand, particularly for investment goods, was still depressed.

He predicted a much sharper recovery of 5 per cent in east Germany in the current year, accelerating to 6.5 per cent in 1994, but not a genuinely self-sustaining growth rate.

Construction, the communications industry and vehicle manufacturing were all eastern growth sectors, although the manufacturing industry was still in severe difficulty.

In spite of rising unemployment, Mr Rexrodt criticised the extent of job-creation schemes in east and west Germany, as a positive incentive for employers to scrap genuine jobs.

"Job creation schemes are no alternative to [the creation of] new competitive jobs on the regular labour market," he said.

More than 220,000 are involved in such schemes in the east, and 44,000 in the west, under which they earn wages based on their former pay packets.

Bosnian Serb leader says Nato attacks would destroy peace talks

Karadzic warns of war if air strikes go ahead

By Laura Silber in Geneva and Gillian Tett in London

Associated Press

Bosnian Serb leader Radovan Karadzic: west's threats to launch air strikes are 'absolutely irresponsible'

BOSNIAN SERB leader Mr Radovan Karadzic yesterday said Nato air strikes against Serb targets could unleash an all-out war which would leave his Moslem rivals with no territory.

"If a single bomb strikes a Serbian position, there would be no more talks. We would have an all-out war and catastrophe," he said.

"The attack would trigger a huge battle, and chaos. There would be tremendous suffering on all three sides."

"I would probably lose control of the central [army] command," he added in an apparent attempt to play on the fears of Britain, France and Canada whose United Nations troops on the ground could face retaliation by Serb forces.

His comments came in an interview after international mediators Lord Owen and Thorvald Stoltenberg had postponed talks because Serb forces had not withdrawn from strategic Mount Igman, west of Sarajevo.

But as Nato finalised its military preparations for any possible air strikes, after its meeting on Monday which approved the logistics for strikes, officials admitted action was unlikely in the next couple of days.

Before any strikes can start, the UN, Nato or a member of the alliance must make a specific appeal for action, which must then receive final authorisation from Mr Boutros Boutros Ghali, UN secretary general.

American officials yesterday said they would be pushing for Mr Boutros Ghali to approve action quickly, amid suspicions that its European allies still lacked the political will to press ahead with the strikes.

But Mr Karadzic, speaking in Geneva, denounced as "absolutely irresponsible" western threats to launch air strikes. He said it encouraged Bosnia's President Alija Izetbegovic to hold out for military intervention and derail talks on the republic's ethnic partition.

> *If a single bomb strikes a Serbian position, there would be no more talks. We would have an all-out war and catastrophe*
>
> – Radovan Karadzic

Mr Izetbegovic has refused to return to the negotiating table with Serb and Croat adversaries until Serb forces complete their pull out. He yesterday said he would return to negotiations today if the Serbs completed their withdrawal from mountains around Sarajevo.

He appears to be waiting to see whether Nato will now push ahead with the air strikes. He yesterday criticised Lord Owen for his cautious response to Nato's threat.

"I am not satisfied with Owen's statement on air strikes. In this way they [the mediators] are supporting the other side. This is counter productive," he said.

An angry Mr Karadzic warned: "If Izetbegovic continues to sabotage the talks, he will lose everything."

It was unclear if Mr Karadzic had followed up a request from Lord Owen yesterday morning to order Bosnian Serb commander General Ratko Mladic to speed up the withdrawal of troops from a key area overlooking the besieged Sarajevo.

Earlier in the day two delegations from the UN peacekeeping forces in Sarajevo visited the mountain to assess the Serb withdrawal.

But UN commander Barry Frewer in Sarajevo said the Serb army had not yet complied with its pledge to pull back from Mount Igman, which is crucial to the mainly Moslem Bosnian army because of a military supply route.

UK equity market optimism hit by BOC profit warning

By Tony Jackson

THE LONDON equity market's euphoria over world economic recovery was dampened yesterday by a profits warning from the BOC Group, the UK-based industrial gases giant.

BOC described the world economic environment as "disappointing" and said its profits would be slightly down for the year to September 30, despite help from the fall in sterling. Its shares fell 9 per cent in heavy trading.

The industrial gases industry, which supplies such basic gases such as oxygen and nitrogen to manufacturing and construction companies, is seen as a reliable indicator of economic activity.

■ Lex — Page 10
■ BOC results — Page 17
■ *London stock exchange report* — Page 19

BOC is the world's fourth largest gases company, and the bulk of its sales are made outside the UK.

The company, where Mr Patrick Rich has been chief executive since January 1992, said profits in the first nine months of the current financial year had risen by 4 per cent.

It added: "The US recovery in the last few months has slowed, recovery in Australia has stalled, the Japanese economy is still affected by policy paralysis and, while the UK shows recovery, its focus seems to be on sectors which have so far had relatively little impact on gas demand".

BOC said that whereas there was growth in sales to the food and drink industries, there was still depressed demand for gas cylinders in such basic industries as cutting, welding, metal fabrication and construction.

Commenting on the share price reaction, the company said "the market has the bit between its teeth on economic recovery, and people have been disappointed by what they see as the rather gloomy tone of our statement.

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هكذا من الاصل

Hungarian funds suffer from Washington politics

Nicholas Denton looks at the background to congressional censure of an enterprise fund whose independence was seen to be excessive

MR Jacques Attali can take comfort: he is not the only casualty of controversy surrounding assistance to eastern Europe.

Accusations of excessive spending and wayward management have also dogged the Hungarian-American Enterprise Fund (HAEF), the $60m fund set up by the US government in 1989 to nourish Hungary's embryonic private sector.

This week, after a long pursuit, the critics claimed the scalp of the HAEF's president, Mr Alexander Tomlinson, former chairman of US investment bank First Boston.

Mr Tomlinson resigned on Monday citing "political interference" and a freeze of allocations by the US Congress which had "paralysed" the HAEF's operations.

The resignation comes in the wake of a critical congressional review of the HAEF. The House Appropriations Committee declared in the June report it was "outraged" at the activities of the HAEF and had "lost confidence" in its leadership.

The target of censure is the HAEF's investment of $4m in EurAmerica Capital Corporation and acquiescence in annual salaries of nearly $400,000 for the young executives heading up the Budapest-based merchant bank.

Defenders of two funds say that their autonomy is the real issue and that EurAmerica has merely provided an excuse for Congressional overseers and the foreign aid bureaucracy to reassert their infringed authority.

As the European Bank for Reconstruction and Development argued that marble hallways were standard for a bank headquarters, the HAEF holds that EurAmerica counts as a private business and must pay its managers the going rate for investment bankers.

Mr Tomlinson maintained in his resignation letter that EurAmerica was moving into operating profit and that fees were covering the controversial salaries.

But critics contend that compensation has been excessive and violates US government guidelines. Some also question the investment banking credentials of Mr Marc Holtzman, EurAmerica's president and managing director.

Mr Holtzman's claim to fame is his earlier incarnation as self-styled "mascot of the Reagan administration". At 20, he ran Reagan's 1980 presidential campaign in his native Pennsylvania and ran as a Republican for the House of Representatives in 1986 as the youngest and best-funded congressional candidate.

As the Reaganite tide ebbed, Mr Holtzman embarked on a business career in central-eastern Europe and last year he and two partners established EurAmerica.

Mr Holtzman's talent for brokering connections, honed in US politics, has proved valuable in doing business in Hungary, where it is truer than usual that who you know counts as much as what you know.

But the half-dozen US enterprise funds for eastern Europe are Bush administration creations and the top executives generally have a Republican background. This being the case with Mr Holtzman, the damaging if weakly founded suggestion has been prompted that political connections, rather than business expertise, helped him win the HAEF's backing.

Whether or not the HAEF's investment in EurAmerica was good business, it is clear with hindsight that the decision invited political attack. "EurAmerica really was a juicy target," says one US diplomat, who says it provided a "handle" for congressional attempts to limit the independence of the funds.

The HAEF is no stranger to political accidents. Soon after its foundation it ran into flak for investing in businesses headed by prominent former communists. The HAEF's actions also contributed to the downfall last month of Mr Pal Teleki, the Hungarian-American chairman of Hungary's state holding company AV RT.

Mr Teleki was weakened by revelations that he was receiving a hidden salary top-up of $130,000 from the HAEF. The HAEF and the Hungarian government justified the payments as the price of attracting Mr Teleki to head the AV RT when he would have been unable to meet commitments on his official salary.

But the subsidy fuelled speculation that Mr Teleki might favour US investors and advisers in the privatisation of the AV RT's huge portfolio of state utilities, banks and industrial companies. It played to reviving public suspicion of a foreign takeover of the Hungarian economy.

The HAEF's payments to Mr Teleki may have broken US rules on payments to officials of a foreign government. But above all, HAEF managers were said to have lacked "political sensitivity". The phrase runs like a thread through the affairs which have entangled the Hungarian fund.

The supervisors of the two funds and the EBRD are trying to insure against a repetition of public relations errors. But the authorities have to be careful lest they inhibit risk-taking in investment decisions. "There has to be a tolerance for mistakes," says a US official. "The funds ought to be innovative and ought to be making mistakes."

Branson truce in battle of Paris

By Alice Rawsthorn in Paris and Michael Skapinker in London

VIRGIN, the UK leisure group, has agreed to close its Paris megastore on Sundays for the rest of the summer.

Mr Richard Branson, Virgin's founder, said yesterday that the store on the Champs-Elysées had decided to suspend Sunday opening because it was clear that no decision on the issue would be taken during the summer when ministers were on holiday.

Mr Branson said: "With every day that's gone by we've been hoping for a response from the government. But the government are on holiday and they're not responding. August is not a good time in France to be campaigning for anything."

Mr Branson said the FFr1m (£110,000) fine imposed on the group by a French court last week for each Sunday the store was open would make trading difficult. The fine represented nearly a third of takings last Sunday when about 75,000 people visited the store, he said. The fine was reduced from an original penalty of FFr4m.

Mr Branson repeated his threat to cancel expansion plans in France unless the store was allowed to open on Sunday. The group plans to open a further 25 outlets in France.

Mr Patrick Zelnick, chairman of Virgin in France, said the decision to suspend Sunday opening should be seen as a "peace gesture" to the authorities.

"We've decided to stop opening on Sundays to take the drama out of the situation," said Mr Zelnick, who has for the past two years orchestrated Virgin's battle against France's ban on Sunday trading which dates back to 1906.

Virgin's decision follows an announcement by Mr Michel Giraud, employment minister, to initiate a parliamentary debate in October on Sunday trading which could lead to Virgin and other stores being exempted from the general ban.

Richard Branson: summer Sunday break

Virgin has adopted a high profile in France in the four years since opening the successful Champs-Elysées store. The Sunday trading campaign has turned out to be one of Mr Zelnick's most successful promotional ploys, both in terms of generating free publicity for the company and in enhancing Virgin's image as a younger, more fashionable version of Fnac, the vast chain of music and book shops that has for decades been the dominant force in French leisure retailing.

● Mr Branson said yesterday that Virgin had been given permission by the authorities in Barcelona to open its megastore in the city on Sundays.

French call to keep monetary union timetable

By John Ridding in Paris

THE European Community should respect the timetable for achieving monetary union, Mr Alain Lamassoure, French minister for European affairs, said yesterday. He played down remarks by Chancellor Helmut Kohl that the target dates for creating a European currency might need extending.

"Let us keep to the calendar that we have together settled and on which we are all agreed," Mr Lamassoure said in an interview on Europe 1 radio.

The German chancellor had warned on Monday that strict insistence on economic convergence between EC member states could delay the creation of a single Eurpean currency "by a year or two." Under the Maastricht treaty on European union, EC members are to introduce a single currency in 1997 or at the latest by 1999.

But some French officials indicated a flexible stance on the timing of monetary union. They said that Mr Lamassoure's comments were mainly concerned with the second stage of monetary union, which involves establishment of a European Monetary Institute, a precursor to a European central bank, and does not involve strict convergence targets on inflation and budget deficits. This stage is due to take effect from January 1 next year.

As to the third and more demanding phase of monetary union, French officials said that, if EC member countries had difficulty in achieving the economic convergence criteria, it might be better to extend the timetable than to relax the required criteria.

One French official said that the question of the timetable for monetary union would be discussed by the EC heads of government at their special summit planned for October.

Mr Lamassoure denied any discord between Bonn and Paris and expressed optimism about continued progress towards European integration.

"Europe has never made progress except through crises. Let's use the crisis to go further," he said, referring to the European currency crisis which strained Franco-German relations and which forced a weakening of links between the franc and the D-Mark in the exchange rate mechanism.

Reuter

Bearing the crop: A Russian soldier brings a load of cabbages in from the fields at a farm near Moscow. The government drafts in the military to help with the harvest every year.

CIA chief collects body from Georgia

By Leyla Boulton in Moscow

THE director of the US Central Intelligence Agency yesterday collected the body of a US diplomat murdered earlier this week in the republic of Georgia. The visit to Tbilisi, the Georgian capital, by Mr James Woolsey, the new CIA director, confirmed reports that the murdered man was a CIA agent.

Mr Woolsey flew to Tbilisi after talks in Moscow with Mr Yevgeny Primakov, his Russian counterpart. Mr Fred Woodruff, described as a US political counsellor, was shot dead on Sunday night by an unknown gunman as he was riding in a car driven by the personal security chief of the Georgian leader, Mr Eduard Shevardnadze.

Officials quoted by the New York Times said Mr Woodruff was one of several people known by the Georgian leadership to be working for the CIA.

No motive has been officially advanced for the killing however. It may also have been a random shooting incident in Georgia's civil strife, or aimed at Mr Shevardnadze's security chief, or simply to embarrass Mr Shevardnadze, who is fighting both domestic political rivals and separatist rebels.

● The head of Russia's Security Council, one of the country's top decision-making bodies, has offered to resign, Interfax news agency said yesterday.

Marshal Yevgeny Shaposhnikov, 51, appointed just two months ago, told the agency he had asked President Boris Yeltsin to be relieved of his duties but gave no reasons. It was not immediately clear whether his resignation had been accepted.

Questions remain on Opel data

By Christopher Parkes in Frankfurt

THE shredding at Volkswagen of documents brought to Germany by Mr José Ignacio López de Arriortúa, the group's new production director, has left unanswered questions about the fate of other data missing from Adam Opel, the German subsidiary of General Motors.

Mr Dino Martinez, the man who compiled the material, destroyed during the last week in March, dispatched several other shipments at the request of Mr López, former global procurement chief at GM.

Mr Martinez, described yesterday as Mr López's former "handyman" at Opel, has since moved and is working for the US group in Spain.

He was the GM employee referred to anonymously in a VW statement on Monday as being responsible for collating and posting "magazines, clippings and correspondence with suppliers". The statement did not say he was acting on Mr López's instructions.

These items, described by VW officials as usual, personal office contents, were shredded in the group's guest house in Wolfsburg, at Mr López's suggestion, to prevent any chance of "possibly sensitive" material being distributed inside VW, the German group has said.

Mr Martinez sent similar material in early February to Mr López in Detroit.

VW officials said they knew nothing more, and could not comment on the fate of a further three shipments sent later by Mr Martinez, on Mr López's instructions, to an address in northern Spain, Mr López's birthplace.

One of these, dispatched on February 22, while Mr López was negotiating a contract with VW, comprised nine boxes and weighed 150kg.

A further batch of "internal" Opel papers, again at the request of Mr López, was sent to the same Spanish address on March 10, the day after he signed his contract with VW.

Mr López and former GM colleagues, under investigation for suspected industrial espionage, theft and perjury, are alleged to have systematically plundered GM secrets in the period before they left for Volkswagen in March.

Mr López last Friday won full support from VW's non-executive supervisory board, which said a thorough investigation had shown no grounds for accusations of industrial espionage.

NEWS IN BRIEF

Turkish union in wage challenge

TURKEY'S leading union, representing some 550,000 workers in public sector industries such as coal and steel, is to strike from August 25 in a direct challenge to the pay restraint policies of Mrs Tansu Çiller, the new prime minister, writes John Murray Brown in Istanbul. Turk-Iş, the country's largest workers' federation, is demanding average pay increases of 85 per cent. This compares with annual inflation of 73 per cent in July, and an earlier pay demand of 95 per cent.

Public sector pay restraint is central to Mrs Çiller's efforts to bring down the public sector borrowing requirement, which is projected at around 15 per cent of gross national product in 1993, and is the main cause of Turkey's persistently high inflation. Mrs Çiller warned earlier that the budget deficit could reach TL150,000bn (£8.7bn), three times the target for the year.

Any failure to curb wage demands will increase operating losses of the state sector industries and thus fuel the PSBR. However, the prime minister must be wary of alienating union support at a time of considerable retrenchment in the state industries and ahead of her plans for a large-scale privatisation programme.

Kurds free French hostages

Kurdish guerrillas released four Frenchmen yesterday after holding them hostage in the mountains of southeast Turkey for more than two weeks, Reuter reports from Ankara. The four, exhausted but apparently in good shape, arrived in Ankara and expressed the hope that their Kurdistan Workers' Party (PKK) captors would release two remaining tourist hostages – Briton David Rowbottom and Tania Miller, who has dual British-Australian nationality.

They were set free on a road between the eastern towns of Tatvan and Van soon after midnight near the spot where the PKK had seized them from a tour bus on July 24. A French embassy statement said a French government aircraft would fly the group home today.

Romanian coal strike ending

A coal strike which has brought work to a standstill in the Jiu valley, Romania's main deep mining region, looked to be winding down last night after the government said union leaders had softened their pay demands, writes Virginia Marsh in Bucharest.

The government spokeswoman said the union was demanding wages ranging from 87,000 lei (£72) a month up to 281,000 lei (£233), including supplements for night shift, overtime and dangerous work, compared to the original demand for up to 320,000 lei (£266).

Discussions were continuing to see if the miners' proposals could be reconciled with an offer of an average wage of 166,000 lei including supplements from the RAH, the state-owned company which administers the region's 13 mines, she said.

Azerbaijan to drop rouble

Azerbaijan will abandon the rouble completely on September 1 when its own manat currency becomes sole legal tender in the republic, Itar-Tass news agency said yesterday, Reuter reports from Moscow. The full exit from the rouble zone was ordered in a decree by Mr Suret Guseinov, prime minister. The manat has circulated alongside the rouble since its introduction last year.

In Minsk, Belarus officials are reported to be studying a proposal from the central bank that would lead to the creation of a national currency.

Haig Simonian reports from Milan on Ferruzzi-Enimont affair

'Mother of all bribes' produces first brood

THE "mother of all bribes" – the L135bn (£56m) allegedly paid by Italy's Ferruzzi group to politicians during the brief life of the public-private Enimont chemicals joint venture – is spawning its first offspring.

Last week, Ferruzzi's new management revealed that it had taken legal action to freeze L500bn in assets of six former managers or members of the Ferruzzi family. The new management, imposed by bank creditors earlier this year on the highly-indebted concern, warned that the net might be widened to include others allegedly involved.

The temporary sequestration, to be examined by a Milan court on August 16, is the first shot in what may be a barrage of legal actions for compensation and damages regarding Enimont, which was dissolved in 1990 with debts of L8,341bn.

Ferruzzi's new bosses have presented evidence to a Milan court indicating serious financial mismanagement, including allegations that huge losses were covered up. Enimont-related kickbacks are believed to lie at the heart of the action, although the case is also thought to embrace alleged attempts by former executives to cover up US commodity trading losses suffered by Ferruzzi in 1989.

Enimont's origins date back to the late 1980s, when politicians and businesmen were looking to boost the chemicals industry.

Although at the time Italy was one of the western world's six biggest economies and internationally-competitive in cars, computers, and white goods, chemicals had always been its Achilles heel.

The post-war chemicals industry was fragmented and poorly managed. In other European countries, the industry had already been rationalised to create a handful of large, broadly-based multinationals with the resources and marketing clout to prosper in such a capital-intensive business.

By contrast, Italy was handicapped by a multiplicity of medium-sized manufacturers making too many products in too many places. The plants they built, frequently with the help of state subsidies for the economically-depressed south, were often ill-conceived, poorly-located and uncompetitive.

Enimont was supposed to end all that. By combining the bulk chemicals assets of the state-owned Eni energy and chemicals group with Ferruzzi's Montedison chemicals arm, Italy would create the world's tenth biggest chemicals group. With direct access to raw materials through Eni, and the economies of scale needed to make a profit in bulk petrochemcials, the new company was supposed to have all the ingredients for success.

The reality was different. Rather than combining the best of the two partners, Enimont emerged as in many ways an amalgam of the worst of the two. The company, with its plethora of small, and sometimes overlapping plants, replicated the fragmentation of the sector as a whole.

Control was divided evenly between Eni and Montedison and the remaining 20 per cent of the shares were floated. This ownership structure, coupled with the diametrically opposed views of the two partners, paralysed decision-making.

Leaked testimony from many of those involved in the creation of Enimont suggests the company's origins were as much linked to boosting the funds of various political parties as to high industrial expectations. Montedison, which was promised huge tax breaks to take part, allegedly paid L15bn to the Christian Democrat and Socialist parties even before Enimont was set up, according to leaked testimony.

Ferruzzi's new bosses have alleged huge losses were covered up

By mid-1990, less than a year after its birth, it was clear Enimont could not survive in its present form. Mr Raul Gardini, head of Ferruzzi during the Enimont affair who committed suicide last month, had orchestrated a behind-the-scenes blitz to buy Enimont shares on the stock market to try to increase his voting power in the venture; Eni responded with court action to freeze the shares; decision-making at Enimont was further hampered.

By September, Eni and Montedison invoked the complex procedure to dissolve the partnership. Soon after, Eni paid L2,805bn for Montedison's 40 per cent stake.

Magistrates are investigating various aspects of the termination deal, notably the price, which many observers thought excessive. According to the leaked testimony, Montedison allegedly paid about L100bn in kickbacks to many of the political leaders of the time to smooth the transaction and win approval for an allegedly inflated price. The valuation was more than 25 per cent higher than the company's value at the price before shares were frozen.

The leaked testimony, mainly from Mr Giuseppe Garofano, formerly Montedison's managing director, suggests the company's management continued paying bribes until the April 1992 general elections. Apparently undeterred by the fact that magistrates were already on the trail of political corruption – then limited to local politicians in Milan – the company is alleged to have paid a further L7bn to the parties in the outgoing coalition government.

Milan magistrates are still piecing together the details of the bribes paid during the saga. Mr Gardini and Mr Gabriele Cagliari, Eni's chairman at the time, are out of the picture after committing suicide.

However, the sequestration order obtained by Ferruzzi's new managment includes three senior executives who worked for Ferruzzi during the Enimont saga and two Ferruzzi family members who also occupied senior positions, as well as Mr Gardini's heirs.

The magistrates, who have already interrogated most of those cited in the Ferruzzi action, are also questioning people from outside the company. Eight senior politicians have so far been told they are under investigation.

Last week, magistrates arrested Mr Alberto Grotti, a former deputy chairman of Eni during the Enimont affair. Mr Vincenzo Palladino, the deputy chairman of Banca Commerciale Italiana, one of Italy's most prestigious banks, is also being questioned, as is Mr Sergio Cusani, a financier associated with the Socialist party, who allegedly acted as go-between in many of the bribes.

In spite of their diligence, the magistrates investigating the "mother of all bribes" may not yet have reached the roots of the family tree.

Meanwhile, losses at EniChem, the successor company to Enimont, have continued to rise, reaching L1,660bn last year. The company's financial performance is set to deteriorate because of recession and continuing political obstacles to rationalising its fragmented structure.

See: Ferruzzi, second section front page

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Poor machine orders reduce Japan's hopes

By Gordon Cramb in Tokyo

MACHINERY orders by the Japanese private sector showed a modest increase in June compared with May, the second seasonally adjusted improvement in a row. But against the same month of 1992 orders suffered their 15th successive fall.

Releasing the figures yesterday, which are taken as a guide to manufacturers' capital spending plans, the Economic Planning Agency said earlier signs that orders had bottomed out had now receded.

Machinery orders – excluding those placed for ships and electricity generation, where demand is volatile – showed a 0.8 per cent month-on-month increase in June after a 3.7 per cent rise in May. However, they remained 13.3 per cent below their level of a year earlier.

A particularly poor April left orders for the second quarter as a whole down 16.7 per cent compared with the preceding three months and 16.0 per cent adrift of the same period in 1992.

The EPA's third-quarter forecast is for a 10.2 per cent rise from the April-June level – continuing a pattern of alternating quarterly gains and losses which set in at the beginning of last year. Against the three months to last September, though, it expects a 14.8 per cent fall.

Food, agriculture and transport were the only sectors to show increased demand in the latest three months. A second successive quarterly rise in demand from abroad, which makes up around a quarter of all public and private orders, is expected to be reversed next time following the latest appreciation in the yen. The EPA also said it expected a decline in orders from the domestic public sector in the current period.

Mr Morihiro Hosokawa, the new prime minister, told a press conference yesterday he would seek to ensure the implementation of a Y13,200bn ($126bn) package of public works spending and tax concessions to stimulate the becalmed economy, agreed in April by the previous Liberal Democratic party government.

Outlining the maintenance of a conservative fiscal policy, he said his seven-party coalition would aim for sustainable economic growth driven by domestic demand.

According to figures yesterday from the Bank of Japan, outstanding loans by the country's commercial banks grew 1 per cent last month, the slowest on record.

Central bank officials said this reflected the wariness of companies to invest in plant and equipment, as well as a shift to other forms of financing such as commercial paper issues. Lending growth was likely to remain low, they added.

The Ministry of International Trade and Industry said, meanwhile, that industrial use of electricity in June, a more immediate measure of economic activity, was 1.3 per cent higher than a year earlier.

Seoul to toughen stance on Pyongyang

By John Burton in Seoul

SOUTH KOREA yesterday indicated that it would adopt a tougher attitude on the North Korean nuclear issue after Pyongyang rejected a proposal by Seoul to resume talks on mutual nuclear inspections.

"We gave everything we could give at the last round of North Korea-US high-level talks. Now it's time to show Pyongyang what sticks are in store," said Mr Han Sung-joo, the South Korean foreign minister.

During its discussions with the US last month, North Korea was offered improved relations with Washington and the supply of safer light-water reactors to replace its graphite-moderated ones if it accepted full nuclear inspections by South Korea and the International Atomic Energy Agency (IAEA). The IAEA wants to examine sites to determine if North Korea is reprocessing more plutonium than it has disclosed, for possible use in developing nuclear weapons.

North Korea said on Monday that it rejected holding talks with the South through the bilateral Joint Nuclear Control Commission and instead insisted that the dispute about Pyongyang's nuclear programme be linked to a summit meeting between the presidents of the two Koreas.

Seoul refuses the Pyongyang demand for a summit, calling it "premature" until the nuclear dispute is resolved.

Both the US and South Korea have suggested that they may ask the UN Security Council to impose economic sanctions on North Korea by the end of September unless Pyongyang shows results in talks with the IAEA and South Korea on the nuclear issue.

IAEA inspectors yesterday completed maintenance work on monitoring equipment installed at North Korea's Yongbyon nuclear complex.

But the IAEA is still barred from two nuclear waste sites. The IAEA demand to view these sites triggered North Korea's announcement last March that it was withdrawing from the nuclear non-proliferation treaty, although it later suspended the threatened action after holding talks with the US.

Palestinians widen peace wrangling

By Julian Ozanne in Tunis

TALKS between Palestinian leaders over how to handle peace negotiations with Israel widened yesterday as more officials flew into Tunis for "serious and decisive" discussions.

Officials of the Palestine Liberation Organisation, which has its headquarters in the city, said the talks, now involving the entire negotiating delegation and most of the PLO's executive committee, would hammer out a fresh negotiating strategy today.

At the heart of the crisis – prompted by the reported resignation threat of three top Palestinian peace negotiators from the Israeli-occupied territories – is the relationship between the PLO, led by Mr Yassir Arafat, and the negotiating team drawn form the West Bank and Gaza Strip.

The talks are also focussing on divisions over whether progress with Israel can be made without direct PLO involvement and without the immediate commencement of talks on a final, rather than an interim, settlement in the West Bank and Gaza Strip.

Mr Jameel Hilal, director of the PLO's information office, said the talks were "very serious" and addressed the need for "one channel of negotiations by the Palestinian delegation" and the necessity to exclude "non-Palestinian channels" – a reference to Egypt.

The three Palestinian leaders – Mrs Hanan Ashrawi, Mr Faisal Husseini and Mr Saeb Erekat – continued to refuse to confirm or deny that they had offered to quit on Sunday night.

But Palestinian officials said the three are still upset about the way Mr Arafat had undermined their position last week by presenting a moderate position paper to the US through the Egyptian president without prior consultation.

In the document, which lays the framework for an interim five-year period of Palestinian self-rule, Mr Arafat appears to be prepared to concede the exclusion of Arab east Jerusalem from the interim settlement – a move adamantly opposed by Palestinian negotiators from the occupied territories.

Palestinians suspect Mr Arafat's more moderate position was made to curry favour with Egypt and the US, which backs the exclusion of east Jerusalem from the interim agreement, and reflects the way the PLO leadership in exile has lost touch with the situation in the territories and is increasingly eager to strike a deal.

The Palestinian negotiators from the territories believe their agreement to such a concession to Israel would be political suicide, given the growing strength of extremists and Islamic fundamentalists inside the West Bank and Gaza Strip. A recent opinion poll found 56 per cent of Palestinians interviewed there were against continuing the peace talks as presently constituted.

The three Palestinian negotiators are also frustrated at what Mr Husseini has called being a "mailman" for Mr Arafat rather than a full partner in the negotiating strategy.

Many Palestinians also wonder whether Mr Arafat, who is concerned about a possible alternative Palestinian leadership during an interim phase, is committed to the process or is merely trying to ensure continuing deadlock as a way of forcing the US and Israel to open a direct dialogue with the PLO.

"We are having a real fundamental debate about strategy and the vital role of the US," said Mr Bassam Abu Sharif, an adviser to Mr Arafat. "Direct talks between the PLO and the US and the PLO and Israel would be a real qualitative change in the whole process and I think it will happen."

Palestinians from the territories support the inclusion of the PLO in the process but believe that democratic reforms in the liberation movement must be implemented quickly – an issue also being discussed in Tunis.

They also believe the sensitive issue of east Jerusalem should not be decided without formal PLO involvement and without at least some negotiations about the final status of a Palestinians entity after the interim period of self-rule.

Reuter

Taipei police lead away a Chinese street vendor who earlier had hijacked an Air China Boeing 767 aircraft to Taiwan. China, which demanded that Taiwan swiftly return the man, has blamed three hijackings in four months on Taiwan's policy of detaining rather than repatriating air pirates.

UN shuts airstrip in Somalia

THE United Nations military command in Somalia said yesterday it was shutting an airstrip which it said was used by the fugitive warlord, General Mohamed Farah Aideed, to smuggle arms into the country and fight UN forces, Reuter reports from Mogadishu.

The decision to close down the airstrip 50km outside the capital, Mogadishu, came two days after gunmen killed four American UN peacekeepers.

The closure appeared to be the first step towards a military crackdown on Gen Aideed, whom the UN blames for Sunday's attack.

UN special envoy Jonathan Howe, a retired US admiral, has said Sunday's attack was part of a "terrorist campaign" by Gen Aideed.

Gen Aideed's faction has denied responsibility for the US deaths.

UN sources said no decision had been taken yet on how to respond to the latest in a series of hit-and-run attacks.

Nigeria urged to name civilian interim leader

By Michael Holman and Agencies

NIGERIA'S military government may be preparing to name a civilian as interim head of state next week amid growing demands for an end to army rule.

Vice-President Augustus Aikhomu, speaking on state radio, said the committee considering the powers and composition of the interim government had recommended that the appointee should also be chairman of an interim national government and should be named next week. But it remains unclear whether effective power will be transferred to the civilian leader due to be installed by August 27, the date President Ibrahim Babangida was supposed to surrender office to an elected president.

Yesterday in Lagos armed soldiers were deployed at strategic bridges amid fears that a planned protest against the military government would prompt a renewal of riots that have killed dozens of people.

The Campaign for Democracy, the coalition that called last month's protest against Gen Babangida's decision to annul the June 12 presidential election, has called on people to stay away from work and take to the streets from tomorrow until Saturday.

Backing came yesterday from a group of retired generals and prominent civilians, led by the ex-military leader, retired Gen Olusegun Obasanjo. "We urge all Nigerians to embark upon peaceful and non-violent means of expressing their disapproval... if Nigeria is to be saved from violent upheavals with disastrous socio-economic and political consequences," said the Association for Democracy and Good Governance.

Unofficial returns in the June poll gave a comfortable victory to Mr Moshood Abiola, now in Washington lobbying for support for his claim to the presidency. Lagos, Nigeria's commercial capital, voted heavily in favour of Mr Abiola and any stay-away is likely to paralyse the city.

Businessmen yesterday started closing down offices, banks and supermarkets.

However, Mr Aikhomu said the military government would declare a state of emergency if there was a breakdown of law and order.

Sudan objects to IMF suspension of voting rights

SUDAN has criticised a decision by the International Monetary Fund (IMF) to suspend its voting rights, saying the move was politically motivated, Reuter reports from Khartoum.

Mr Sapana Jambo, minister for international co-operation, quoted by the al-Ingaz al-Watani newspaper yesterday, said there was no reason for the suspension.

The IMF on Friday suspended Sudan's voting rights saying the decision was taken because of the country's persistent failure to meet its obligations. Sudan's arrears which began to pile up since 1984 amounted to $1.6bn.

Split in Taiwanese ruling party

Taiwan's ruling Nationalist party formally split for the first time in more than four decades yesterday when some of the party's top vote-winners broke away and formed a splinter party, Reuter reports from Taipei.

The six legislators, including two former ministers, accused the party leadership of failing to halt rampant corruption and dragging its feet on internal reform, and announced the formation of the New party. It is the first formal split among the Nationalists since they fled to Taiwan after losing the Chinese civil war in 1949.

The MPs' departure has lowered the number of seats the Nationalists hold in the 160-member parliament to 96 from 102. The opposition Democratic Progressive party (DPP) has 52 seats.

Tajik forces win control of pass

Government forces in Tajikistan have won control of a key mountain pass from rebels after nine days of intense fighting, officials said yesterday, Reuter reports from Dushanbe.

A Tajik defence ministry spokesman said government troops took control of the Hoborabad pass, which links the capital with the defiant region of Gorno-Badakhshan to the south-east, after rebel forces pulled out late on Monday. A foreign diplomat in Dushanbe said the taking of the pass would allow government forces to concentrate on the more serious threats from rebels launching attacks from bases in Afghanistan.

Mr Hidayat Amin Arsalla, Afghanistan's foreign minister, arrived in the Tajik capital Dushanbe for the first bilateral talks since fighting along the border intensified a month ago.

India urged not to repatriate Tamils

The US human rights group Asia Watch says in a report released today that India should cancel its plan to restart repatriation of Sri Lankan Tamil refugees who have fled their war-ravaged homeland, Reuter reports from New Delhi.

It alleges that some Tamils living in Indian refugee camps have been coerced into agreeing to return, have no idea what they are going back to and are at risk from both sides in Sri Lanka's fighting.

India plans to repatriate another 7,000 refugees from camps in the southern state of Tamil Nadu, starting with a shipload of 1,200 scheduled to depart from Madras today and heading to the east Sri Lankan port of Trincomalee.

Road to China is mapped across Laos

Iain Simpson reports on the opportunities and worries arising from better transport links

UNTIL recently, the single biggest foreign exchange earner for the Laotian government was the sale to airline companies of permission to fly over the country. Now a bridge is being built across the Mekong River from Thailand that will eventually allow people to drive through Laos all the way to China.

Government officials in Vientiane, the Laotian capital, are anxious to prevent the country from becoming a bypass on the route between south-east Asia and China, or what one foreign resident referred to as an "Indochina truck stop". But western and Asian diplomats in the city say Laos could benefit greatly from improved transport links with its neighbours.

Today, the country's largest income derives from the sale of hydroelectric power to Thailand and trade with Thailand is an essential and growing sector of the economy.

The government expects this trade to continue to expand, particularly after the Mekong River bridge linking the two countries is completed. The bridge, which is being financed by a US$30m (£20.1m) grant from the Australian government, is scheduled to open in April next year.

LAOS: KEY INDICATORS

	1991	1992
Real GDP growth %	4.0	7.0
Per capita GDP (current $)	217	232
Consumer price inflation:		
Per cent change (end of year)	10.4	6.0
Trade ($m):		
Exports	96.6	132.7
Imports	227.9	265.6

Sources: Laotian government, IMF, World Bank, Asian Development Bank, UN Development Programme, embassy estimates

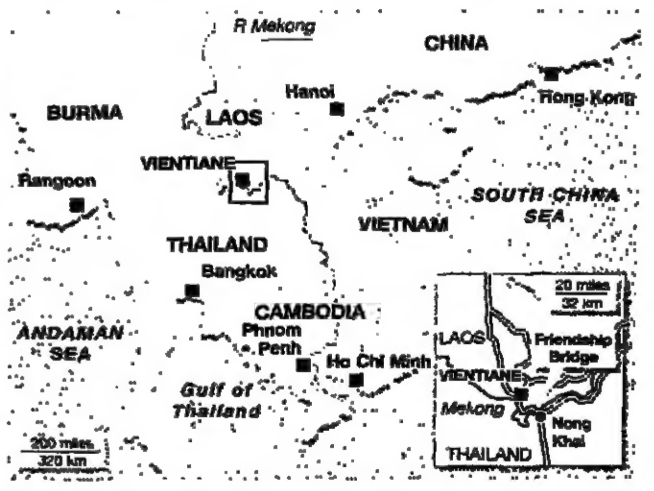
The Thailand-Laos Friendship Bridge is the first stage in a grand scheme to link Thailand by road with China, Burma and Vietnam. The idea is to upgrade existing north-south and east-west routes through Laos to ease the flow of goods between south-east Asia, Vietnam, Burma and China.

Laotian officials are cautious about the scheme, which they say could seriously damage the domestic economy if it allows Chinese goods to flood the country. Industrial development has been slow in Laos and domestic producers are in no position to compete with cheap Chinese imports.

It will be some time before the Thailand-China highway will be a reality, but work has already started on a road to carry Laotian goods to the Vietnamese coast for export.

Thailand's ambassador to Vientiane, Mr Nikhom Tantemsapya, said Laos should benefit greatly from better transport. "If Laos can turn itself into an effective middleman, it could really reap some profit," he said.

He said the people of Laos should be wary of too much foreign influence, not only from Thailand but also from the other four countries which border this land-locked nation: Burma, China, Vietnam and Cambodia. "Laos is a small country and has every right to fear people might come in and exploit their resources; but it should not be limited only to Thailand," he said.



Meanwhile, Thai traders are becoming increasingly active in the Laotian capital, taking advantage of the economic reforms instituted in the late 1980s when Laos abandoned a commitment to a centrally planned socialist economy.

For now, it is largely a one-way trade and Laos's annual exports are still worth less than half its imports.

Thailand is also the biggest foreign investor in the country, with investments worth $160m – at least 40 per cent of the total. All eight of the new banks being built in Vientiane are Thai-owned and there is a general sense on the streets of the capital that Thai influence is pervasive.

In Vientiane and the other towns along the Laotian side of the Mekong River, most radios and TVs are tuned to the Thai channels broadcast from the other bank. Cafes and shops play Thai pop music and there is a growing number of signs written in Thai.

Western diplomats say the Laotian government is well aware of the need to control the flood of Thai economic and cultural influences. They also say the government's economic reforms have been a great success so far and that the domestic economy is developing along sound lines.

Gross domestic product grew by 7 per cent in 1992 and is expected to expand at about the same rate until the mid-1990s. The agricultural sector contributes almost 60 per cent of GDP but industry and the service sector are also growing steadily. In June the International Monetary Fund backed the government's economic reform programme with a $50m loan under its enhanced structural adjustment facility.

Outside the capital, though, little is changing for the 85 per cent of Laotians who still live by subsistence farming. Officially, Laos is one of the five poorest countries in the world with a per capita GDP of just over $200 a year.

However, western diplomats say these statistics disguise a growing rural economy where trade is mostly done by barter and does not show up in official figures. Nobody suggests Laos is a wealthy country but the diplomats say few people are living in poverty since the government's economic reforms allowed them greater access to a market economy.

New draft details SA regional powers

By Philip Gawith in Johannesburg

THE second draft of an outline multiracial constitution for South Africa was unveiled yesterday, providing for the first time a fairly detailed view of the powers of regions within a future federal state.

The document, which follows widespread criticism of the first draft unveiled two weeks ago, goes some way towards allaying fears that a future central government could have its own way.

The government National Party, Democratic Party and Concerned South Africans Group (Cosag) all complained that the original draft offered insufficient powers to the regions. This deficiency was one of the main reasons causing the mainly Zulu Inkatha Freedom Party and the right-wing Conservative Party to withdraw from the talks last month.

Although the latest draft represents a considerable change on its forerunner, spelling out the nature and extent of powers regions will exercise, it is unlikely to draw Inkatha back to negotiations. Concern about how a future constituent assembly will behave if there is disagreement over the final form of a constitution has still to be addressed.

The technical committee drafting the constitution yesterday sought further guidance from negotiators on this point. Inkatha's central committee will be reviewing its participation in negotiations when it meets on Saturday.

The latest draft says regional governments will have "exclusive legislative competences", in 15 different functional areas ranging from planning powers and service delivery to tourism and casinos. These powers may not be altered by the national government except in accord with special circumstances identified in the constitution, and only to the extent that the constitution allows intervention.

In the main areas of government such as education, health, agriculture and housing, regional governments will enjoy "concurrent legislative competence" with the national government. This means, in the words of the drafters, that the national government cannot use its powers to negate those of the region. In the event of a dispute over powers, this will be settled by a court.

A South African court yesterday granted bail of R30,000 (£6,000) to Mrs Gaye Derby-Lewis, one of three whites accused of assassinating Mr Chris Hani, the black Communist party leader, Reuter reports from Johannesburg.

Mrs Derby-Lewis, 54, her husband Clive, a former right-wing member of parliament, and a Polish immigrant, Mr Janusz Walus, are due to stand trial in October for Mr Hani's murder, which triggered violence by blacks last April. The ANC denounced the granting of bail to Mrs Derby-Lewis, saying it underscored suspicions of government racism. The application was also opposed by prosecutor Mr Gerard Nel, who said he feared she could be in danger out of prison. But Rand Supreme Court Judge C Plewman said he had agreed with her lawyers where she would live.

Fighting intensifies around two besieged Angolan cities

ANGOLA'S resurgent civil war has intensified, with a new rebel push against the besieged city of Cuito and government attempts to pound into submission Unita guerrillas in their Huambo stronghold, Reuter reports from Luanda.

The government says 14,000 people have been killed in the seven-month rebel onslaught against Cuito.

If confirmed, the death toll would make the battle for the city the most deadly of the civil war. Unita said yesterday it had seized part of Cuito, where the government says rebel shelling has killed more than 200 civilians in the past few days.

Rebel radio, monitored in the island state of Sao Tome and Principe, said Unita forces had smashed a battalion of government soldiers as they forced their way into the city on the eastern fringe of the central highlands.

The radio claimed government air raids on the nearby rebel capital, Huambo, had killed more than 200 civilians over the past week.

Unita took control of Huambo, Angola's second city with a population of 500,000, in March after a siege in which an estimated 12,000 people were killed.

Diplomats in Luanda say about 2,500 government soldiers and paramilitary police are defending Cuito against a much larger force of well armed Unita troops.

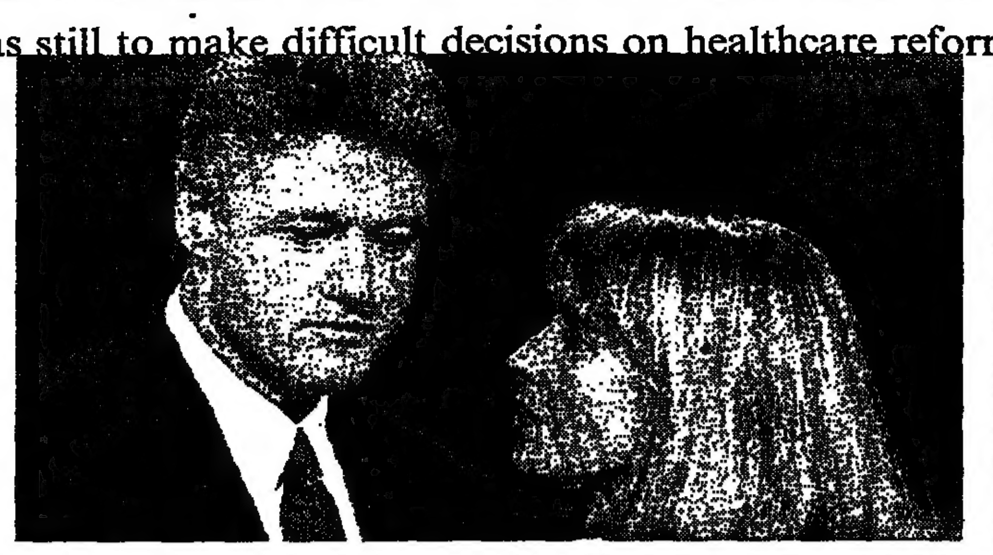
The rebels and the ruling MPLA (Popular Movement for the Liberation of Angola) government signed a peace agreement in 1991 to end the civil war, which had been fought since 1975.

But Unita returned to the bush after rejecting its defeat by the MPLA in supervised elections last September.

NEWS: THE AMERICAS

Clinton turns to health after budget bruising

The president has still to make difficult decisions on healthcare reform, writes George Graham



SERIOUS TIME: The president and his wife face many problems over the changes they envisage Associated Press

PRESIDENT Bill Clinton yesterday signed the US budget bill, voted through Congress by a whisker last week. With opinion polls showing widespread public distrust of the budget's measures, White House officials admit they have a large marketing job to do to win support for the package.

But already the administration is preparing for the next items on its legislative agenda, ahead of Congress's return in September. Heading the list are plans for legislation on crime and welfare and Vice-President Al Core's report on "reinventing government," a compendium of suggestions on how to make the federal government more efficient and less wasteful.

The biggest task facing Mr Clinton, however, is healthcare reform.

The president is making no attempt to underplay the size of the undertaking. In a speech in West Virginia this week he described the issue as the greatest threat to economic security and to the personal security of most American families.

"Unless we reform the healthcare system of this country, we can never get the deficit down to zero," he warned.

The Clinton health plan, already much delayed by recognition that it stood no chance of moving forward in Congress until the budget had been dealt with, has still not been finalised.

The plan outlined by a taskforce headed by Mrs Hillary Rodham Clinton, the president's wife, is based on the managed competition approach, which involves setting up health purchasing co-operatives to bring more bargaining power to bear on prices charged by doctors and hospitals. It would guarantee universal insurance coverage, although not necessarily immediately, and compel employers to provide cover for their workers.

Difficult details have still to be decided: the degree of government control over medical prices, the precise illnesses and treatments to be covered by insurance, and the extent to which companies would be compelled to join co-operatives in buying insurance for their employees.

Most troublesome is a congressional Budget Office estimate that pure managed competition would actually increase national healthcare spending.

The report found, on the other hand, that a comprehensive government-run health insurance system, similar to Canada's, would produce big savings, bolstering the substantial minority of Democrats in Congress who favour this single payer approach.

Bruised from the budget battle, Mr Clinton cannot relish the prospect of arguing for further tax increases to pay for his health plan, even if White House officials insist the reforms will cost money only over the short term.

Higher taxes on tobacco, and possibly other "sins" such as alcohol and guns, appear to be a relatively uncontroversial way of footing some of the bill. Payroll taxes will be less popular in Congress.

If the Democrats in Congress are divided over the president's plan, so too are the Republicans.

Mr Clinton needs at least a handful of Republican votes to avert the threat of a filibuster in the Senate, and stands a good chance of winning it. Senator John Chafee of Rhode Island, who has been his party's leading spokesman on health issues, favours a managed competition approach which bears striking similarities to elements of the Clinton plan.

Several centrist Republicans are also anxious to shed the obstructionist image they fear they could earn if they systematically oppose everything Mr Clinton tries to do.

Senator Robert Dole, the Republican leader in the Senate, has so far favoured the tactics of all-out opposition, preferring not to be outflanked on his right by rivals such as Senator Phil Gramm, the Texas right-winger who is angling for his party's presidential nomination in 1996. Some of Mr Dole's friends in Congress believe, however, that his legislative instincts will eventually lead him to negotiate with Mr Clinton.

The budget battle may have reduced Mr Clinton's clout at the negotiating table. The budget itself has not won him resounding support – a poll conducted for the Washington Post and ABC television showed 48 per cent of respondents disapproved of the economic plan, and only 43 per cent approved – and the delay it caused has sapped momentum from healthcare reform.

This will make it difficult to craft a plan that satisfies competing groups in Congress, let alone the different medical, insurance and consumer lobbies. Nevertheless, the overall pressure for reform remains strong.

Brazilians again put off sale of indebted Cosipa

By Christina Lamb in Rio de Janeiro

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However, Governor Luis Antônio Fleury Filho of São Paulo, says he will only accept the commission's proposal if his state's terms for renegotiation of its own debts with the federal government are accepted.

According to the finance ministry, São Paulo has debts of more than $10bn – a figure Mr Fleury hotly contests.

Mr André Montoro, commission president, said yesterday: "The sale of Cosipa is in the hands of the governor."

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The latest delay is raising fresh doubts over the commitment of President Itamar Franco to privatisation. There have been nine cancellations of sales so far this year and the programme is moving very slowly.

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Making it legal for Cubans to own foreign currency and spend it in the special stores, is unlikely to close the anticipated $500m (£335.5m) shortfall in sugar earnings.

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By John Barham in Buenos Aires

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By Damian Fraser in Mexico City

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The irony is that Canada, long considered Mexico's ally in Nafta negotiations, seems the stumbling block.

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The recent appreciation of the yen has encouraged Japanese companies to locate an increasing share of their production facilities outside Japan so as to take advantage of lower labour charges and to avoid yen-related costs.

China is a popular site because it offers lower costs and an rapidly growing domestic market. Facsimile machines sales are expected to rise by 40 to 50 per cent annually until the end of the decade.

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The ECE's latest round-up* shows growth was most rapid in Romania, where 23,500 foreign investment projects were registered at the end of March 1993. Romania now has the largest number of enterprises with overseas participation in the region. However, most have a very small foreign capital component and "appear to have been encouraged by the provision of special tax concessions by the government".

Registrations of joint ventures and foreign subsidiaries in Hungary totalled over 14,000 at the end of March. In Poland, about 10,000 foreign investment projects were registered by then.

The ECE also notes a surge of interest by foreign companies in the Baltic states, with the number of foreign investment projects rising to 4,000 in Estonia, 2,800 in Latvia and 2,300 in Lithuania. Here too, however, the amount of overseas capital involved is small. In members of the Commonwealth of Independent States, foreign investment registrations rose from 7,000 to 8,000 in the first quarter this year, compared with 2,600 at the beginning of 1992.

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Thames Water taps into BOT

John Murray Brown on a $700m infrastructure project in Turkey

Tony Andrews

Richard Needham: nervous few moments at British embassy

THE champagne was on ice. UK Trade Minister Richard Needham had a plane to catch. And everyone was waiting for the acting head of the Turkish Treasury.

It was a nervous few moments before Mr Osman Unsal scaled the steps of the British Embassy and Thames Water, the privatised UK regional utility, was able to sign an implementation agreement on a $700m (£470m) Build Operate and Transfer (BOT) water project with the Izmit municipality.

Much has been made of the BOT model of project financing to fund large public infrastructure, but as Thames Water's experience last month illustrates, no bank, let alone export credit agency, is likely to support the scheme without the Treasury's blessing.

The late President Turgut Ozal pioneered the concept of BOT, in which a private developer builds and operates a plant, recovering his costs before handing it over to the public utility. Today the method is embraced by Mrs Tansu Çiller, prime minister, as Turkey searches for ways to meet its infrastructure needs at a time of mounting budget strain.

The key attraction is that BOT falls under the private sector and so does not impact on the government's balance sheet, an important element for indebted countries with limited access to medium- and long-term commercial borrowing.

However, bankers stress that if Turkey finances numerous projects by this method, the market will reconsider the country's risk profile. Bankers also point out it would be cheaper if the projects were financed by conventional turnkey arrangements, where the Treasury offers bank lenders full sovereign guarantees.

The projects also involve long gestation periods, partly because of their inherent complexity. Thames Water, with its local partners, Gama and Guriş, has been working on the Izmit water scheme for three years. Chase Manhattan, the US bank, has been preparing a power plant project at Birecik on the Euphrates for the best part of six years.

Not one BOT has been successfully concluded. Many contractors have walked away from earlier attempts at BOT, and even Thames Water is far from safe. The only beneficiaries so far, perhaps, are the lawyers – legal fees alone are about 0.5 per cent, according to one estimate.

But at a time when Turkey's economy is so troubled, bankers see few alternatives. Investment in the electricity sector, for example, has come to a virtual standstill, with the World Bank insisting on reform at TEK, the public utility, before new funds are available. For foreign contractors, BOT is probably the only way they can win business on large capital equipment supplies.

Bankers also point out that BOT typically will incorporate an equity element – a form of direct capital investment by the consortium which would not be available on conventional turnkey projects.

Banks like to lend hard currency to projects that earn hard currency. The BOT is a way around this for projects which depend on local revenue receipts. There are assumed to be greater efficiencies in using a private developer rather than the government agent or utility, as the operational risks of project over-run are carried by the private sector.

The issue of who takes the financial risk is central to the concept of BOT. Under the scheme the banks lend to a private sector developer and theoretically the banks' only recourse to the government occurs when the project goes wrong. Some bankers argue, though, that on such large infrastructure, government is always involved indirectly.

In the implementation agreement signed last month, Thames Water and the Izmit water authority agreed terms of the water sale, the volumes, price and form of payment, which bankers say will be denominated in the underlying currency of the lending.

Chase Manhattan, financial adviser to the project, is looking for a mix of Japanese government aid, European export credits and UK and Japanese commercial bank funding.

Thames Water is also seeking the Treasury's guarantee of the Izmit water authority's payment obligations. In turn the Treasury must provide some mechanism to ensure lenders are repaid if the project is abandoned and the revenue flows interrupted as a result of *force majeure*. Thames Water is arranging a subordinated loan mechanism: a standby facility of which the project company can make use in the case of *force majeure*.

But ultimately Thames Water's ability to raise finance will be affected by the Treasury's own appetite for funds.

Asian nations facing challenges

By William Keeling in Bali

EUPHORIA over China's recent economic growth contrasted sharply with concern at the challenges faced by other developing countries in the Asia-Pacific region at the Indonesia, Asia-Pacific and New World Order conference in Bali yesterday.

China has "basically solved the problem of feeding and clothing more than 1.1bn people," said Mr Li Luye, director general of the Centre for International Studies in China. "People are convinced... China's goals of reform and opening up are attainable."

Chinese delegates called for a move toward greater East Asian economic co-operation. But other delegates noted a reluctance among many Asian nations to establish far-reaching trade agreements and saw China as a potentially destabilising force in the region.

They pointed to slow implementation of the free trade area within the Association of South East Asian Nations (Asean), which encompasses Indonesia, Thailand, Brunei, the Philippines, Singapore and Malaysia. The benefits of Asean in terms of increased trade and flows of foreign investment had been minimal, delegates said.

Mr Ajit Singh, Asean secretary general, said China had been drawing foreign investment away from South-East Asia.

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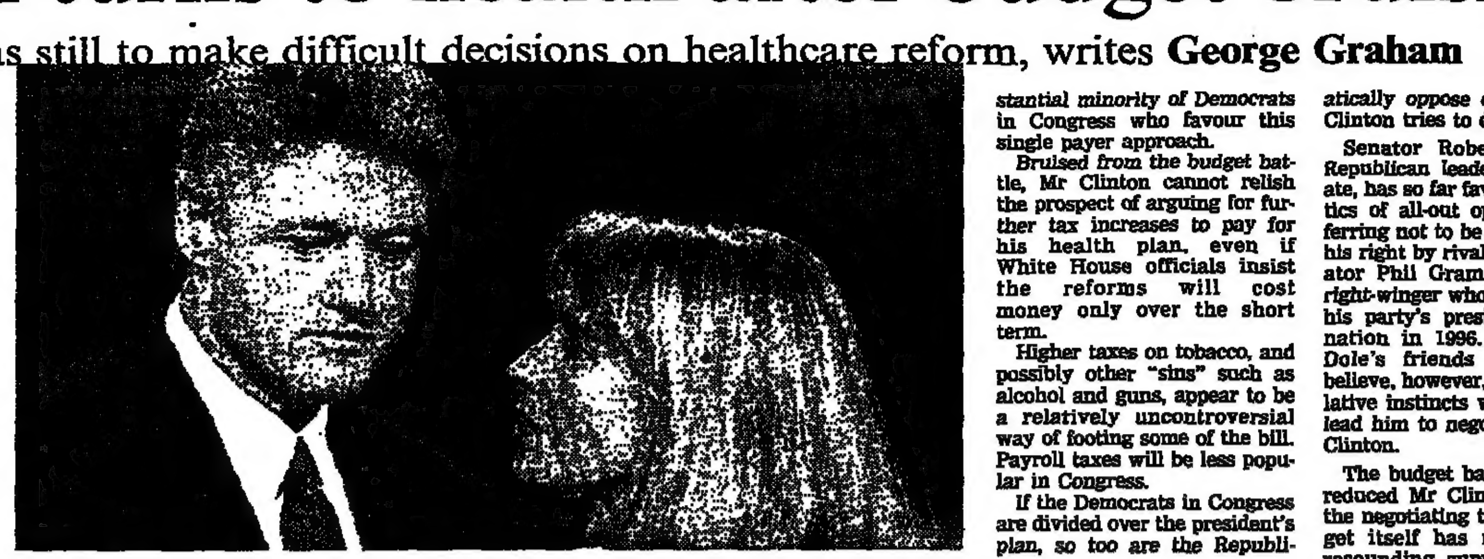
NEWS: THE AMERICAS

Clinton turns to health after budget bruising

The president has still to make difficult decisions on healthcare reform, writes George Graham



Associated Press

SERIOUS TIME: The president and his wife face many problems over the changes they envisage

PRESIDENT Bill Clinton yesterday signed the US budget bill, voted through Congress by a whisker last week. With opinion polls showing widespread public distrust of the budget's measures, White House officials admit they have a large marketing job to do to win support for the package.

But already the administration is preparing for the next items on its legislative agenda, ahead of Congress's return in September. Heading the list are plans for legislation on crime and welfare and Vice-President Al Gore's report on "reinventing government," a compendium of suggestions on how to make the federal government more efficient and less wasteful.

The biggest task facing Mr Clinton, however, is healthcare reform.

The president is making no attempt to underplay the size of the undertaking. In a speech in West Virginia this week he described the issue as the greatest threat to economic security and to the personal security of most American families.

"Unless we reform the healthcare system of this country, we can never get the deficit down to zero," he warned.

The Clinton health plan, already much delayed by recognition that it stood no chance of moving forward in Congress until the budget had been dealt with, has still not been finalised.

The plan outlined by a taskforce headed by Mrs Hillary Rodham Clinton, the president's wife, is based on the managed competition approach, which involves setting up health purchasing co-operatives to bring more bargaining power to bear on prices charged by doctors and hospitals. It would guarantee universal insurance coverage, although not necessarily immediately, and compel employers to provide cover for their workers.

Difficult details have still to be decided: the degree of government control over medical prices, the precise illnesses and treatments to be covered by insurance, and the extent to which companies would be compelled to join co-operatives in buying insurance for their employees.

Most troublesome is a congressional Budget Office estimate that pure managed competition would actually increase national healthcare spending.

The report found, on the other hand, that a comprehensive government-run health insurance system, similar to Canada's, would produce big savings, bolstering the substantial minority of Democrats in Congress who favour this single payer approach.

Bruised from the budget battle, Mr Clinton cannot relish the prospect of arguing for further tax increases to pay for his health plan, even if White House officials insist the reforms will cost money only over the short term.

Higher taxes on tobacco, and possibly other "sins" such as alcohol and guns, appear to be a relatively uncontroversial way of footing some of the bill. Payroll taxes will be less popular in Congress.

If the Democrats in Congress are divided over the president's plan, so too are the Republicans.

Mr Clinton needs at least a handful of Republican votes to avert the threat of a filibuster in the Senate, and stands a good chance of winning it. Senator John Chafee of Rhode Island, who has been his party's leading spokesman on health issues, favours a managed competition approach which bears striking similarities to elements of the Clinton plan.

Several centrist Republicans are also anxious to shed the obstructionist image they fear they could earn if they systematically oppose everything Mr Clinton tries to do.

Senator Robert Dole, the Republican leader in the Senate, has so far favoured the tactics of all-out opposition, preferring not to be outflanked on his right by rivals such as Senator Phil Gramm, the Texas right-winger who is angling for his party's presidential nomination in 1996. Some of Mr Dole's friends in Congress believe, however, that his legislative instincts will eventually lead him to negotiate with Mr Clinton.

The budget battle may have reduced Mr Clinton's clout at the negotiating table. The budget itself has not won him resounding support – a poll conducted for the Washington Post and ABC television showed 48 per cent of respondents disapproved of the economic plan, and only 43 per cent approved – and the delay it caused has sapped momentum from healthcare reform.

This will make it difficult to craft a plan that satisfies competing groups in Congress, let alone the different medical, insurance and consumer lobbies. Nevertheless, the overall pressure for reform remains strong.

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Richard Needham: nervous few moments at British embassy

THE champagne was on ice. UK Trade Minister Richard Needham had a plane to catch. And everyone was waiting for the acting head of the Turkish Treasury.

It was a nervous few moments before Mr Osman Unsal scaled the steps of the British Embassy and Thames Water, the privatised UK regional utility, was able to sign an implementation agreement on a $700m (£470m) Build Operate and Transfer (BOT) water project with the Izmit municipality.

Much has been made of the BOT model of project financing to fund large public infrastructure, but as Thames Water's experience last month illustrates, no bank, let alone export credit agency, is likely to support the scheme without the Treasury's blessing.

The late President Turgut Ozal pioneered the concept of BOT, in which a private developer builds and operates a plant, recovering his costs before handing it over to the public utility. Today the method is embraced by Mrs Tansu Çiller, prime minister, as Turkey searches for ways to meet its infrastructure needs at a time of mounting budget strain.

The key attraction is that BOT falls under the private sector and so does not impact on the government's balance sheet, an important element for indebted countries with limited access to medium- and long-term commercial borrowing.

However, bankers stress that if Turkey finances numerous projects by this method, the market will reconsider the country's risk profile. Bankers also point out it would be cheaper if the projects were financed by conventional turnkey arrangements, where the Treasury offers bank lenders full sovereign guarantees.

The projects also involve long gestation periods, partly because of their inherent complexity. Thames Water, with its local partners, Gama and Guriş, has been working on the Izmit water scheme for three years. Chase Manhattan, the US bank, has been preparing a power plant project at Birecik on the Euphrates for the best part of six years.

Not one BOT has been successfully concluded. Many contractors have walked away from earlier attempts at BOT, and even Thames Water is far from safe. The only beneficiaries so far, perhaps, are the lawyers – legal fees alone are about 0.5 per cent, according to one estimate.

But at a time when Turkey's economy is so troubled, bankers see few alternatives. Investment in the electricity sector, for example, has come to a virtual standstill, with the World Bank insisting on reform at TEK, the public utility, before new funds are available. For foreign contractors, BOT is probably the only way they can win business on large capital equipment supplies.

Bankers also point out that BOT typically will incorporate an equity element – a form of direct capital investment by the consortium which would not be available on conventional turnkey projects.

Banks like to lend hard currency to projects that earn hard currency. The BOT is a way around this for projects which depend on local revenue receipts. There are assumed to be greater efficiencies in using a private developer rather than the government agent or utility, as the operational risks of project over-run are carried by the private sector.

The issue of who takes the financial risk is central to the concept of BOT. Under the scheme the banks lend to a private sector developer and theoretically the banks' only recourse to the government occurs when the project goes wrong. Some bankers argue, though, that on such large infrastructure, government is always involved indirectly.

In the implementation agreement signed last month, Thames Water and the Izmit water authority agreed terms of the water sale, the volumes, price and form of payment, which bankers say will be denominated in the underlying currency of the lending.

Chase Manhattan, financial adviser to the project, is looking for a mix of Japanese government aid, European export credits and UK and Japanese commercial bank funding.

Thames Water is also seeking the Treasury's guarantee of the Izmit water authority's payment obligations. In turn the Treasury must provide some mechanism to ensure lenders are repaid if the project is abandoned and the revenue flows interrupted as a result of *force majeure*. Thames Water is arranging a subordinated loan mechanism: a standby facility of which the project company can make use in the case of *force majeure*.

But ultimately Thames Water's ability to raise finance will be affected by the Treasury's own appetite for funds.

Asian nations facing challenges

By William Keeling in Bali

EUPHORIA over China's recent economic growth contrasted sharply with concern at the challenges faced by other developing countries in the Asia-Pacific region at the Indonesia, Asia-Pacific and New World Order conference in Bali yesterday.

China has "basically solved the problem of feeding and clothing more than 1.1bn people," said Mr Li Luye, director general of the Centre for International Studies in China. "People are convinced... China's goals of reform and opening up are attainable."

Chinese delegates called for a move toward greater East Asian economic co-operation. But other delegates noted a reluctance among many Asian nations to establish far-reaching trade agreements and saw China as a potentially destabilising force in the region.

They pointed to slow implementation of the free trade area within the Association of South East Asian Nations (Asean), which encompasses Indonesia, Thailand, Brunei, the Philippines, Singapore and Malaysia. The benefits of Asean in terms of increased trade and flows of foreign investment had been minimal, delegates said.

Mr Ajit Singh, Asean secretary general, said China had been drawing foreign investment away from South-East Asia.

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BUSINESS AND THE ENVIRONMENT

A balancing act

David Lascelles looks at the green performance reports just published by Britain's biggest electricity generating companies

Britain's largest electricity generating companies, National Power and PowerGen, are also its largest polluters. Between them they spewed more than 2m tonnes of sulphur into the atmosphere last year, as well as 500,000 tonnes of nitrous oxides and nearly 200m tonnes of carbon dioxide. They also passed nearly one sixth of Britain's fresh water through their cooling systems – all to keep the lights burning.

Many people will be shocked by the sheer size of these figures. But they are derived from the environmental performance reports which both companies have just published for the first time. The two documents are part of the electricity generation industry's efforts to put across their side of the story, though they will doubtless be excused of trying to raise excuses.

The timing is fortuitous – or well planned. The reports came out only days after PowerGen received permission to burn orimulsion, the controversial bitumen-based fuel from Venezuela. They also coincide with the start of fresh negotiations in Geneva to tighten targets for reducing European atmospheric emissions, where Britain is likely once again to be tagged the dirty man of Europe.

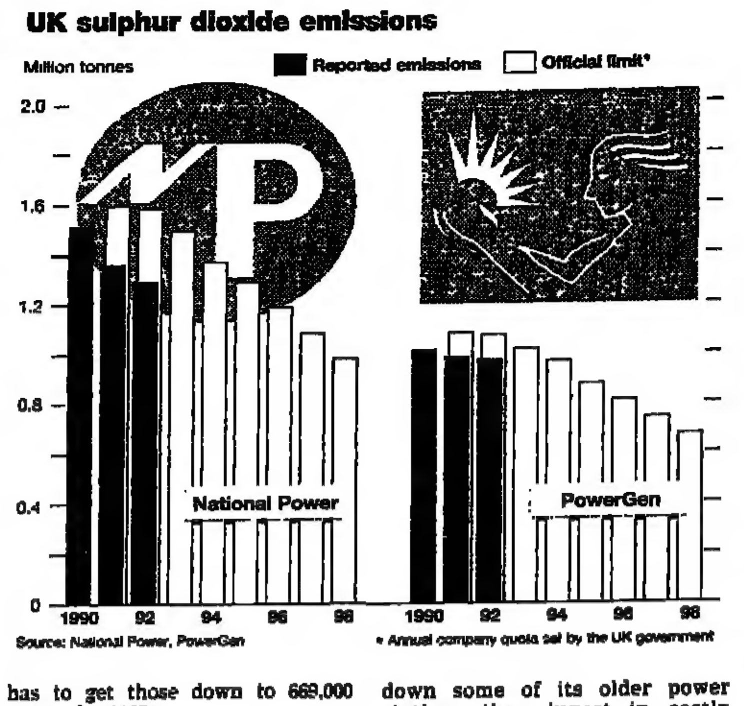
At one level, the reports are intended to be a source of information. They contain details of the companies' environmental policies, of their emissions and of the efforts they are making to bring them down. They also describe the chain of command within the companies and their record of compliance with the regulations.

The general thrust of the reports is that both companies have inherited very dirty power stations from pre-privatisation days and are making strenuous efforts to clean them up. Both companies claim to be well within the pollution limits set by the government and to be on a downward path that will enable them to meet the long-term targets set by international agreements.

National Power, for example, reports emissions of 1.3m tonnes of sulphur dioxide last year against a limit of 1.6m, but it has to halve those to 660,000 tonnes by the year 2003.

PowerGen, which has fewer power stations, produced just under 1m tonnes of sulphur dioxide, or 100,000 tonnes less than its limit. It has to get those down to 669,000 tonnes by 1998.

UK sulphur dioxide emissions



Source: National Power, PowerGen

* Annual company quota set by the UK government

There are also details of emissions of nitrous oxide, carbon dioxide and other forms of waste such as dust and ash.

At another level, however, the reports are intended to show that bringing these emissions down is not merely a question of sticking clean-up equipment on the top of chimneys. Both companies list a number of other options: switching to cleaner fuels such as natural gas, building new types of power generation plant, raising fuel efficiency and even getting their customers to use less energy.

National Power says: "We cannot change our existing generating assets overnight. Our company strategy is to investigate all possible ways of achieving our environmental and commercial targets and then to pursue the most cost-effective solution." NP goes on to hint that it would rather shut down some of its older power stations than invest in costly clean-up equipment.

In other words, the reports try to identify the balance between the benefits of environmental protection and the cost. Between them, the two companies expect to spend more than £3bn on various environmental improvements during the 1990s, including building cleaner power stations. But as privatised companies, they have a duty to their shareholders; green considerations have to take the appropriate place, and these reports make clear that profit comes first.

The general thrust of the reports is that National Power and PowerGen have inherited very dirty power stations from pre-privatisation days and are making strenuous efforts to clean them up

Ed Wallis, PowerGen's chief executive, sums up the debating point that the generators want to get across: "Achieving the most effective investment, in terms of environmental protection and economics, is a challenge which we, our regulators and the government continue to face."

PowerGen's is the more readable of the two reports. Apart from the colour pictures, it has informative diagrams on how pollution is caused (though the words acid rain are studiously avoided).

It also includes a map showing the areas of Britain which are most sensitive to atmospheric pollution. This so-called "critical loads" approach is the basis of government policy. It breaks down the country into a set of squares, showing the ability of each to tolerate more pollution.

But National Power's report seems to be the more thorough. It gives more overall detail. It also goes into the sensitive area of compliance. It reveals, for example, that the company breached environmental regulations 29 times last year, though none resulted in prosecution. Possibly most important, John Baker, chief executive, states he has personal responsibility for environmental policy and compliance. It is not clear from the PowerGen document which main board director has this responsibility, though Wallis signs a personal introduction.

National Power also asked Lloyds Register to verify its report. LR found the report presents "a correct, true and fair picture". But it points out that NP's aim of "doing better than compliance where appropriate" has yet to materialise because of the company's focus on complying with the requirements of the Environmental Protection Act, which are still coming into force.

This point is taken up by Fiona Weir, a clean air campaigner at Friends of the Earth. She criticises the NP report for being entirely "compliance-driven". Her complaint is that the targets for pollution reduction are based on what the law requires, not on what the environment can stand.

She says: "This is not an environmental policy. This is about avoiding breaking the law and avoiding wasting money."

She would like to see the generators adopting an approach which aimed to clean up the air and reduce acid rain to acceptable levels, regardless of what the law required.

"These reports show the importance of legislation," she says. "Companies are not driving environmental policy. Environmental policy is driving the companies."

Linking cash with conservation

Hilary de Boerr on a wildlife scheme in Zimbabwe which is encouraging rural economic development

When the elephant was voted the world's most popular animal, you can bet the people of Hurungwe district in northern Zimbabwe were not consulted.

Every year, they live in fear of elephants trampling through fields of maize that took months to prepare and tend. One night's feast for an elephant can wipe out an entire year's harvest. Homes might be wrecked if situated in the animals' paths. Children and adults are injured and sometimes killed.

Why, then, are villagers thinking of constructing water dams and putting down salt to encourage elephants into their area? Why are they discouraging illegal settlers so that their land might be used instead by elephants? The answer lies in a novel programme which is giving economic value to elephants and other wildlife on Zimbabwe's communal lands.

Under Campfire (Communal Areas Management Programme for Indigenous Resources), rural communities are managing to make money from animals which until recently were poached as pests. The programme is simultaneously encouraging economic development and a conservation ethos in rural areas.

Campfire works by linking cash with conservation. Until recently, rural communities were not allowed to make any use of wildlife on their lands – poaching was common, either for food or to stop animals destroying crops and endangering people. Now, districts accepted into the programme are allowed to shoot a certain number of animals every year, for sale either as meat or safari trophies.

The programme – run by the government and conservation organisations – gives rural communities a choice. They can shoot an animal that is damaging crops and sell its meat, earning, for example, about £1,600 for an elephant; or they can save the quota for safari hunting, where an elephant will earn the community £4,000-£6,000. A typical annual wildlife quota per district might include a variety of wildlife, such as seven elephants, 20 buffalo and 20 baboons.

Campfire is creating an additional source of income for subsistence farmers. Last year, eight districts earned about £350,000 from safari hunting – mostly from Americans keen to collect an elephant trophy.

Participating communities decide whether to invest the money in community projects – such as schools, dams or grinding mills – or divide it among households for personal use. In one ward, households earned £60 each from Campfire last year – a welcome addition

to the average annual income of about £80.

The programme is also encouraging the spread of business skills. Local Campfire committees are going into partnership with well-established safari operators to market their quotas; community investments are creating small-scale industries such as the grinding mills and bee-keeping; other tourist ventures are under way, such as hiking and photographic safaris.

Cash and conservation are an attractive couple, says Lovemore Katena, a ward councillor in Hurungwe district. "The best thing about Campfire is that we are learning to manage our resources and we benefit from them."

The conservation benefits are becoming clear. Villagers involved are actively discouraging wildlife-poaching, confiscating snares, reporting poaching incidents and guarding against bush fires which are used to flush out animals but also destroy vegetation. They discourage illegal settlement and illegal gold panning, which contribute to the destruction of the land, rivers and vegetation.

Only firm evidence of the link between conservation and economic development can maintain people's commitment to Campfire, says Cherry Bird, wildlife co-ordinator for Hurungwe district. "Everybody has to feel they are benefiting tangibly from this programme so they'll be involved in management decisions. It sounds idealistic, but the alternative is to have no wildlife."

The nomadic nature of wildlife is proving a problem. The community where an animal is shot is the community that earns money – although several areas may have suffered crop damage en route. There is, therefore, no guarantee of a stable income from year to year. Some villagers argue they are being bribed to put up with wildlife. Others want their quotas increased so they can shoot more animals and earn more.

Nevertheless, districts are queueing up to be accepted into Campfire. By the end of the year, 24 will have Campfire status and by 2000 more than half the country is expected to be devoted to wildlife conservation under the programme.

Elephants – which are not an endangered species in Zimbabwe – remain the biggest earners under Campfire because of their status symbol to safari hunters. The hope is that other community businesses will become equally important to the local economies over time, says Ivan Bond, Campfire research fellow at the World Wide Fund for Nature.

"In the long-term, Campfire principles will have to be applied holistically to the whole range of natural resources. If the institutions exist for the management of one common property resource, it should not be too difficult to extend these to other resources."

MANAGEMENT

Clearly, concisely and with feeling

Business people should not allow their letters to be a write off, advises **Rupert Morris**

The trouble with business people is that they think they can write. Or, even if they know they cannot, they dare not admit it.

But when I say someone cannot write, I am not branding them illiterate. All I am saying is they do not do themselves justice on paper. Some of the most entertaining people can transform themselves into plodding bureaucrats when their words appear beneath a letter-heading.

I recently came across an engineering company that addressed its customers as "your goodselves". And it was only a few years ago that my former bank used to end its letters with: "We have the honour to remain, sir, your obedient servants."

When the chief executive of my present bank wrote to his customers to assure us of his personal readiness to respond to criticism, I took him up on the offer. Since I teach effective writing, I also offered my help. The letter I received came from the head of development and training operations – a title that carried its own warning of impending verbosity.

Jones (not his real name) thanked me for my letter, and went on to explain: "At this moment in time, the group continues to invest heavily in training and development initiatives that contribute to the advancement of our challenging business objectives. The development of employee potential is a major focus of these programmes. Our leadership and management competence training addresses a very wide range of personal management and leadership skills development."

All Jones means to say here is: "The bank already runs training courses for its staff." But instead of a single sentence with a single verb and two or three nouns, he wastes his time and mine employing between 20 and 25 nouns, depending on whether you count nouns used adjectivally.

It takes him another two paragraphs to explain why he believes he has no need of my services. "Over the past few years we have built up a comprehensive training infrastructure to support the diverse and changing needs of our business..."

The point is not whether or not this kind of verbiage is to your taste. The point is it does not do the job. If Jones wanted to give me the brush-off, he could have done so politely in one or two concise sentences. And I would not have bothered him again. As it was, I wrote back to the chief executive. I received a letter from the Senior Manager, Customer Relations, thanking me for my "thoughtful thoughts", and acknowledging "the need for us to better train our people at a rapid rate". His letter concluded: "Should our ongoing audits of our internal training effectiveness prove a need for your company's input, we will let you know."

Good business writing is not a mystical process, nor is it some rare gift. It can be learnt

I would say the need was pretty urgent, wouldn't you? This bank is not alone in the inability of its employees and executives to communicate in writing. I was conducting a writing course at one of Britain's leading accountancy firms when I came across the following sentence: "[The firm] achieves a high level of continuity on audits by using clear succession plans which emphasise the importance of developing lasting relationships."

I translated this as: "The firm knows the importance of continuity. We will not chop and change our auditing team."

"Oh, no," they said. "We do not use words like 'chop' and 'change'. They sound...well, almost slang." And so it goes on.

Too many people in business dare not be clear. They dare not commit themselves and do not want to sound over-familiar. We cannot be too careful, they think. Paradoxically, such excessive care can be dangerous. When obfuscation becomes a habit, communication suffers and, in due course, so does the decision-making process.

There is a popular misconception that the written word is not a tool of communication but a means of bolstering the image of your company or department. Hence the proliferation of abstract nouns and vague phrases – such as "a highly developed service network", "an extensive client support function", "designed-in delivery flexibility" – that sound grand, mean next to nothing and keep real people at arm's length.

Hence also the epitome of grandiosity for its own sake – the mission statement. Robert Fritz, the US management guru, told a London audience last month he had only seen two meaningful mission statements and one was from a group of nuns.

Happily, there are exceptions. Tiny Rowland always made his annual report statements to Lonrho shareholders pungent, intelligible and informative. And when Sears made cuts last year, chief executive Liam Strong used his interim report to explain the situation with exemplary frankness. Media and markets reacted alike, impressed by the clarity of thinking. At a difficult moment in the company's development, the share price rose.

Good business writing is not a mystical process, nor is it some rare gift. It can be learnt. It springs from simple principles, such as identifying your purpose, considering your reader and checking repeatedly for relevance. But the first essential is recognising that bad writing springs from lazy thinking. And that does require a rare quality – humility.

For a free copy of "Do I Make Myself Clear?" – a guide to writing good business English – send a large s.a.e. to The Company Writers, Unit 14, 88 Clapham *Park Road, London SW4 7BX. Tel: 071 627 8444. Fax: 071 978 2382.*

Andrew Baxter explains how JCB reorganised 300 employees into separate product divisions

Selectors' choice

There is an office wall at J.C. Bamford Excavators' headquarters at Rocester in Staffordshire which three of the company's senior executives are unlikely to forget.

At the turn of the year the wall held the names of some 300 JCB employees whose individual strengths and weaknesses were discussed, analysed – and occasionally tussled over – by Henry Shirman, Mike Butler and John Appleby.

The process was a vital prelude to the reorganisation into separate product businesses (and profit centres) of the main divisions of the UK's largest construction equipment company.

Appointed to the top posts in the new businesses by chief executive Martin Coyne, who conceived the new organisation with chairman Sir Anthony Bamford, the three had the unenviable task of sitting down together to select their teams.

"We tried very hard to be fair," says Shirman, formerly director of manufacturing and product engineering who is now managing director of the new backhoe loader division. (Butler, formerly managing director of JCB Sales, is running the new loadall division, while Appleby has moved from purchasing director to running the new wheeled loader division.)

Everybody was assessed on eight different characteristics and, if the three could not agree, they would turn to Coyne or personnel director Alan Fernyhough for help.

For Sir Anthony, the process has been a revealing one. When making a reorganisation such as this, he says: "You can't rely too heavily on past assessments of people, because these tend to err on the side of being nice. In a crisis when you are laying people off, you look at the assessments and everyone is bloody marvellous."

In contrast, the much more rigorous "names-on-the-wall" process has brought into focus the team players and those who were coasting. Inevitably, some faces did not fit, although less than 10 people had to go. But valuable insights into the remainder were gained, enabling the three new divisional leaders to "take a chance" on some people by increasing their responsibilities.

JCB has had a decentralised structure before. In 1984 it broke up a previously unitary organisation into product divisions, but four years later went back to the original structure for its main Rocester-based products, which helped to tighten management of product design and development. The smaller divisions such as JCB Landpower for agricultural products were kept separate.

The new approach, introduced in April, creates divisions which will have exclusive responsibility for the future of the main product lines – everything from design and product development to marketing.

Sir Anthony Bamford: 'You can't rely too heavily on past assessments of people'

Basic manufacturing such as welding will still be done centrally, but the new divisions will each be responsible for painting and final assembly. Shirman retains a central research responsibility for the group, because of the dominance of backhoe loaders in the sales mix.

"With hindsight," says Sir Anthony, "what we didn't do in the mid-1980s was to split the products up enough as businesses. We did not make them into proper profit centres."

The aim is to create multi-disciplinary teams which will sit together and concentrate solely on one product line. The hope is that by identifying more closely with a particular product employees at all levels will understand the need for increased profitability and be encouraged to participate in achieving it.

JCB is betting that, as it grows bigger, this approach makes better sense than having one product engineering and manufacturing department serving a combined marketing and sales division. With marketing – a crucial skill in the construction equipment industry – now under the control of the new profit centres, the three divisions' only internal "customer" is a new sales and service division.

But there are obvious risks in the new structure. Probably the biggest danger from decentralisation, Sir Anthony accepts, is the dissipation of the company's considerable purchasing power for parts and components.

To retain this, one of the three divisions will act as "lead buyer" for a particular component, such as engines, and negotiate on behalf of all three. But if it makes commercial sense for one of the divisions to source components separately, it will do so.

Other concerns include how to avoid duplicating contacts with dealers, who sell the entire JCB range, and thus provide the essential link with end-users and market trends.

But the benefits of the new organisation are already coming through. "We can move faster. The incentive to look at new ideas is much greater," says Butler.

Appleby, who has one of the toughest tasks at JCB reviving the "poor relation" wheeled-loader range, says there were initial question marks about whether the new structure could make a difference.

"But we now have much more of a team spirit. The one thing in my team's life is wheeled loaders." Already the new approach has led to an improvement in quality and spurred suggestions from the team about modifications.

The handling of warranties has also been changed. The new sales and service division charges out warranty costs directly to the new divisions, giving them an incentive to fix a problem quickly and ensure that it does not happen again.

Some grey areas such as training remain, but Sir Anthony believes the new approach will bring a marked improvement in profitability by next year.

And that is important for JCB, even if, as a family-owned company, it does not have a share price to worry about. What it does show is that a company widely admired as a rare success story in post-war British engineering is true to its motto – *jamais content*.

Ballet

Romeo and Juliet

English National Ballet has now entered its runner in the summer's *Romeo and Juliet* stakes. This is the version which Sir Frederick Ashton made for the Royal Danish Ballet in 1955 – a significant date because it was not until the next year that Western audiences were to be bowled over by the Bolshoi's massive spectacular. Ashton was, as it were, creating "blind", with no pre-conceptions. The result is small-scale, poetic in a sometimes secret way – you have to watch closely to see certain little choreographic marvels that Ashton offers, witness the ball-room duet for the lovers – and ultimately a production that does not pack enough emotional punch. With the Danes, the playing was so true, so detailed and so natural, that the choreography won on its own terms. With ENB, it looks like Lamb's Tales from Shakespeare – a few highlights, and an awful lot of workaday prose.

On Monday the men provided the chief merits of the performance. In Thomas Edur, the Romeo, we see the finest classical danseur in the country (Mukhamedov is *hors concours*). The opening scene, a brief solo for Romeo, is enough to reveal his qualities. Edur displays a refinement of means, an elegance of style, an effortless sense of drama, that seem a text-book example of the virtues we hope for in a danseur noble. What is especially grateful to watch is the purity and unforced nobility of his manner. The dance speaks with extreme distinction; the playing is sure in its effects, lyrical in its intonation. We believe, both in Romeo and in the classic dance itself.

His companions were Tim Almaas as a lively, quick-tempered Mercutio, and Stephen Sherriff as Benvolio. Sherriff has regained that exactness and distinction of style – steps made to look witty – that was his as a valued soloist with the Royal Ballet. From Kevin Richmond a menacing Tybalt, dangerous to cross, and quick in feeling: how angry, and vivid, his death.

The Juliet was Rebecca Sewell. Her reading is much more assured technically than last year, and she is charmingly the young girl of the opening scenes. I missed, though, something inevitable about the later action, the signs of both bravery and despair, and of awakened sexual feelings, even in Ashton's understated dances. It is a failing of this version that it is not ecstatic enough, does not tell us – as Ashton so beautifully did for Chloe, Cinderella, and the Girl Pigeon – about the intensity of young love. Rebecca Sewell must find a way to increase the emotional temperature of this cool production.

ENB's artists bustled industriously through group scenes that have an underpopulated feel, and a utilitarian look in Peter Rice's designs. (Friar Lawrence, though, has a couple of fetching outfits.) The score sounded very well under David Garforth's baton, with a strong rhythmic drive that did not miss the pungent qualities of Prokofiev's writing. There was drama here we did not see in the choreography.

Clement Crisp

ENB presents *Romeo and Juliet* until Aug 14. Casting varies.

Television/**Christopher Dunkley**

Going Out versus Staying In

It is, people insist, much the best to be there: whether Wimbledon or the Royal Tournament, rock festival or Comedy Store; while television may convey an approximation of the "real" experience, there is no substitute for actually going along. In the past this column has considered the subject specifically in relation to sport and concluded that there is, indeed, a certain something – the strawberry factor – about going to Wimbledon, and risking skin cancer from all that sun for the sake of the smell of crushed grass.

Yet there is also a powerful argument for staying on the old green sofa in the cool of your own sitting room in front of your television. At home there are no men in uniforms ordering you about, you can drink your own properly chilled Sancerre, and people do not sit behind you explaining Navratilova's sexual relationships in stage whispers. Travel time to and from the sofa is negligible, and at home you have all the advantages of umpteen camera positions and the zoom lens which are denied those who pay the appalling price of a Centre Court ticket.

What about the sort of events more commonly reviewed on this page though? Can television ever hope to provide more than a vague idea of the experience of sitting in a West End theatre as the house lights go down, of being a part of a big audience dominated by the big screen in a cinema, of feeling the expectation in a concert hall as the conductor raises his baton? A refresher course in Going Out can leave you in two minds. Certainly there are aspects of live entertainment that television fails to convey, but the incidentals, at least in a big city – travel, tickets, food and drink, fellow members of the audience – can be enough to make you vow never to relinquish the old green sofa again.

In comparing the two experiences we do tend to underestimate the sheer convenience of television. In London today, unless you have a chauffeur, the only way of being sure you can reach any venue and park close by is to drive a motorcycle, and not everyone is as game as Mrs Dunkley when it comes to riding pillion. (Yes, when necessary in evening dress.) You can easily spend the price of a whole year's licence fee on two opera tickets or three moderate seats in a Shaftesbury Avenue theatre. In the all too accurately named crush bar two glasses of ghastly blended table wine will cost you around £4, and there is a dreadful tendency now to provide only "souvenir" programmes which means the format of *Radio Times* and a price of £6.

While you have control over those with whom you watch television, the same is obviously not true when you Go Out. If you are fortunate enough to be invited by John Drummond, director of the BBC Proms, to share his box, as we were on Sunday, you may find yourself sitting with Sir David and Lady Attenborough – and what could be more pleasant. However, buy yourself a couple of £25 seats at the Prince Edward to see the Gershwin musical *Crazy For You* and you may find yourself towards the back of the circle behind three vast teenage girls who continually lean forward in their seats, forcing everyone behind to do the same, and eat sweets out of cellophane bags seemingly prepared by some insane sound effects department. That does not happen with television.

As for the cinema, on the day after we saw *Jurassic Park* last week it was announced that this had become the biggest grossing movie of all time in Britain, a fact which scarcely surprised us since we had had to pay £10 each for seats, not in the West End but at the Parkway, Camden Town. True, when we left the cinema there was a pianist playing in the bar, supporting the claim printed on the back of the tickets that they are "Making movie going an occasion". But it was also true that we sat through the film with our feet on a thick layer of popcorn, on top of a worn-out and badly torn carpet. Funny sort of occasion.

But what about the content of these events? Spielberg's dinosaur extravaganza is so determined to terrify the life out of you that it produces a defiant reaction: "Garn! Can't frighten me!" Yet it is one of those films that will lose much of its impact when it comes to television. Whereas the subtle frights of a Hitchcock can be as effective on the small screen as the large, *Jurassic Park* relies upon the overwhelming size of its cinema images and the deafening volume of trillion-track Dolby sound for its effect, and those will not be available on the box. So if you do want to see dinosaurs chasing children and crunching adults, see it in the cinema. Score one, reluctantly, for Going Out.

We happened to see *Crazy For You* on the same night that the Queen took her mother for a 93rd birthday treat, along with her sister and umpteen other members of the royal family. This created an even more monumental traffic jam than usual around Soho, and thus even more smugness among motorcyclists. There may have been another effect, too: the company seemed to perform with abnormal energy, as companies will when the royals are in. Since this is a classic American musical with a tap line 10-babes long, and a great basketful of Gershwin hits – "Someone To Watch Over Me", "I Got Rhythm", "They Can't Take That Away From Me" and many more – the effect was electrifying ... or perhaps they really are that good every night.

Anyway, even without any special royal edge, there is something about the stage musical which has never been transferred successfully to television. To experience the full sense of hair-raising exhilaration from, say, a massed tap routine you have to be in a theatre seeing the thing live, with no chance of anyone "dubbing in the taps". The same goes for those typically American stage-wide dance routines, such as *Embraceable You* in this show, where there is no chance, as with television, of cutting together the best bits from five takes, and the dancers end up, chests heaving for breath, with the whole house on a roar. Score another, very definitely, for Going Out.

As for the Proms, the experience varies. When the front promenaders turned round on Monday last week and chanted "Arena to gallery: tonight's concert can be *heard* on Radio 3" even Mr Drummond seemed to think they had a point, murmuring "They've been quite witty this year". The point was that The Hanover Band playing an all-Bach programme on period instruments did not produce a great enough volume of sound, some of the time anyway, for the marvellous and familiar but very large space inside the Albert Hall. That said, the Concerto for Violin and Oboe, and especially Anthony Robson's performance on the oboe, was simply splendid, large space or not. But had this been televised, home viewers would have had no trouble at all with sound – as the promenaders' message indicated. Score one for Going Out and one for staying home.

So Going Out emerges from this refresher course pretty robustly; the vitality of live events and the uniqueness of each performance score heavily. However, if you throw the incidentals into the scales the balance tips back dramatically towards the old green sofa. And what could you see on television in the past week? The second part of Billy Roche's powerful *Wexford Trilogy*, first performed at The Bush, a tiny fringe theatre with a name for innovation but cramped and uncomfortable seating. The third in a new series of the amazingly effective (even if, perhaps because, the content can be infuriating) *Teenage Diaries*, a form impossible to imagine outside television. A repeat of a hilarious episode of *French And Saunders* (with the "Looky Likeys", a parody of *The Exorcist* and an embarrassingly accurate publisher's lunch) and more. Of course watching television is not the same as being there, but nor is being there the same as watching television. You miss an awful lot if you go out every night.

Weill success at Santa Fe

Paul Griffiths enjoys a pre-Brecht double bill at the Festival

The opera best made for Santa Fe has to be *The Magic Flute*: thunderstorms are almost guaranteed to be rolling around the nearby mountains as the sky darkens during performances in the open theatre, and Sarastro's crew are right at home in a city whose 20th-century psychic history goes back from the shamanic healers and Eriksonian hypnotists of today to a 1911 Masonic temple shaped as a Moorish fantasy in strawberry mousse.

Almost inevitably, the piece is a regular here. This year's new production, though, cut away from awesomeness and spirituality to side with Papageno's vulgar good sense. Marie Anne Chiment's costumes were on the lurid side of dreaminess: robes of scarlet and purple for the adepts, snowy fur and little forehead lights that made the boys look like Christmas-tree decorations. Reto Nickler's staging provided the pantomime that Mikael Melbye, as Papageno, knew well how to handle. In such a context, Kurt Streit's handsome and musically fine Tamino provided a challenge that was never resolved.

As on previous occasions, the festival's successes were in areas that the place would not seem to suit so well. For example, nothing could be less in harmony with this relaxed, sunny, natural city than the music of Kurt Weill, and yet it was a double bill of pre-Brecht Weill – *The Protagonist* and *The Tsar has his Photograph Taken*, both to words by Georg Kaiser – that provided the Santa Fe Opera with both its novelty and its sharpest night. The director Jonathan Eaton and his designer Robert Perdziola set both pieces in the 1920s of their composition, and so neutralised the costume-drama tendencies in *The Protagonist* (as Mr Eaton rightly pointed out, the music speaks of Weimar Germany, not of the libretto's Elizabethan England) while availing themselves of opportunities for a comic-glamorous look just right for *The Tsar*.

Both works ostensibly have to do with persons and personae. The protagonist of *The Protagonist* is an actor whose mood is swung by what he happens to be playing. His sister, who has been his sheet anchor to truth, finds him rehearsing a piece of slapstick, and judges this will be a good moment to introduce her secret lover. By the time she returns, however, the play has been changed, and she spills the news to a man wrapped up in a drama of sexual jealousy.

In *The Tsar* people are clear about where roles end and reality begins; it is the situation that confuses them. The tsar, escaping from public duty for a moment, wants to flirt with the lady photographer whose studio he has entered. But the photographer is a disguised anarchist, and her camera is loaded with a pistol. All through both pieces, then, there is a weapon waiting to go off: the febrile actor's capacity to carry out in life the deeds of murderous revenge he executes on the stage, and the weapon in the photographic apparatus. What makes for catastrophe in *The Protagonist* is in *The Tsar* a joke.

Yet musically the pieces are more similar than that might imply. Writing very much in the wake of Busoni and Hindemith, Weill shared their ideal of music moving over its own planes aside from the dramatic continuity, and the Santa Fe double bill pointed up how much of the familiar Brecht-Weill irony – the ostinatos, marches and dances, the embittered harmony – came out of those musical exemplars and was in place before the composer met the playwright to match him. In accordance with the precedence of pure music – or rather of impure music – the chief glory of *The Protagonist* is its pair of mime sequences: spiky wind music for the farce, and ominously seductive hints from the cello of a slow uncurling line in the tragedy. The score was beautifully played here under George Manahan.

On the vocal side this opera is, fittingly, a vehicle for the protagonist, and Jacque Trussel seized it with a fury of intensity. In *The Tsar*, David Malis offered a nice contrast of bluff jollity. He was also a ready Marcello in the charming revival of *La Bohème* that boasted too a bright Rodolfo from Martin Thompson and an excellent orchestral performance, perceptive and sophisticated, under John Keenan.

Hans Fahrmeyer

David Malis as the Tsar in the Weill double bill

John Crosby, moving spirit of this festival for 37 years and unashamed Strauss nut, conducted a luscious *Capriccio* that was elegantly presented by the director Willy Decker and designer Wolfgang Gussmann as a play of vivid facsimiles – 18th-century ladies and gentlemen in white, ivory and silver – within a blank space of effulgent blue. The frank realism of these people's behaviour – their evident belief in themselves – was thoroughly beguiling, and yet they were placed in a nowhere. They were clouds singing about clouds.

As such they were the perfect creatures for this opera in which the audience is invited into a long, lingering enjoyment of knowing pretence. All that was wanted was more cream and radiance in the singing. Sheri Greenawald as the Countess had a potentially lustrous performance checked by the need to control flare and vibrato. Mark Thomsen and James Michael McGuire as the composer and poet were eager young blades, without suggesting that their music might exceed expressive need. But Richard Stilwell's amused urbanity was entirely enough for the Count, and Eric Halfvarson was ideal as the old pro La Roche, robustly in command of the interior theatre, the box within a box, where he offered his dancer and Italian duettists. Whether they all knew they were similarly on show – personae not persons – was a question left poised exquisitely in the air.

The Proms/**Andrew Clements**

Youth Orchestras young and old

No doubt of the highlight of this Proms season so far. The appearance of the Gustav Mahler Youth Orchestra under its founder Claudio Abbado at the Albert Hall on Monday not only brought a richly concentrated account of Bruckner's Fifth Symphony but also the treat of Dmitri Hvorotovsky singing Musorgsky's *Songs and Dances of Death* in Shostakovich's 1962 orchestration. Hvorotovsky's approach may owe much to Boris Christoff's (and to Shalyapin's) model – a touch of histrionics in the outer songs, smooth sensuous lyricism in the central pair – but his burnished tonal range, effortless phrasing and sustained concentration were all utterly instinctive. The effect may have been generalised rather than specific, for he did not pay too much attention to the weighting of the words, but the sheer sound quality and vocal presence were overwhelming.

The Gustav Mahler Orchestra convened for the first time in 1986; designed originally as a platform for young musicians from Eastern Europe, it is now open to East and West. The tonal blend is certainly the familiar international one, and with an age limit of 26 the orchestra has very much the feel of a professional band, yet one fuelled by an enormous sense of commitment and unity of purpose.

Abbado's Bruckner has generally received less attention than his Mahler; he may have conducted the composer less consistently, but early in his career he made a memorable recording of the unfashionable Second Symphony. To some tastes his approach may now seem too interventionist; instead of the serene unfolding of the first movement of the Fifth a fairly brisk tempo was set for the introduction and there was an urgent prompting of each episode and transition. Yet Abbado's for detail is constantly engaging, and his ability to slot each figurative element into a comprehensive scheme paid huge dividends in every movement. The final pages, with the Mahler Orchestra's brass uninhibitedly prominent, were an authentic triumph.

*

On Sunday Britain's own National Youth Orchestra had brought one of its typically hefty programmes to the Albert Hall. It began and ended with Musorgsky's *Pictures at an Exhibition*, which both Radio 3 continuity and the Radio Times appear to have decided should be called *Pictures from an Exhibition*: Shura Cherkassky played the original solo-piano version at the start of evening – a mannered account, surprisingly drab by Cherkassky's standards – and the NYO under Matthias Bamert closed the concert with a glittering, extrovert Ravel's orchestration, propelled at a pace that was as hasty as the pianist's had been laboured.

Cherkassky also appeared with the orchestra in Gershwin's Piano Concerto, in which he seemed much more relaxed, winningly shaping the work's store of melodies and evidently relishing the extra succulence which the NYO's over-size complement of strings brought to the textures. Bamert led the orchestra through the thickets of *Gawain's Journey*, the orchestral study fashioned from Birtwistle's opera. It was a remarkably assured account of a spectacular piece, and the young players took the solo roles – euphonium, flugel horn and oboe are allotted the vocal lines incorporated into the orchestral textures – with enormous relish.

Royal Albert Hall and BBC Radio 3: Monday's concert relayed on BBC 2

INTERNATIONAL ARTS GUIDE

■ BAYREUTH

In the absence of The Ring, interest this year focuses on a new production of Tristan und Isolde, marking role-debuts for Siegfried Jerusalem and Waltraud Meier. Max Loppert, writing on this page about the first night, said that although Jerusalem's voice might be considered light by traditional Heldentenor measurements, he had mastered the art of Wagner pacing. Meier, he said, sounded not just beautiful, but aptly in character, capable by turns of imperious flourishes, anger-heated surges, soft romantic raptures – as if she had lived long with the character and inside the text before presenting both to the public. Heiner Müller's first-ever opera production, designed by Erich Wonder, was described as abstractly interesting; emotionally distancing and centrally unromantic. As in the 1981 Ponnelle production, the conductor is Daniel Barenboim. The programme also includes Parsifal conducted by James Levine, with Deborah Polaski as the new Kundry. Poul Elming and Linda Finnie join the cast in Werner Herzog's 1987 staging of Lohengrin. Donald Runnicles conducts Wolfgang Wagner's 1985 production of Tannhäuser, with a cast led by Wolfgang Schmidt, Tina Kiberg, Eike Wilm Schulte and Manfred Schenk. Giuseppe Sinopoli conducts Dieter Dorn's 1990 production of Der fliegende Holländer, with Bernd Weikl as the Dutchman and Sabine Hass as Senta. Ends Aug 28 (0921-20221)

■ BERLIN

This year's festival (Aug 31-Sep 30) is a meeting point between Europe and Japan, with performances by Tokyo Ballet, New Symphony Orchestra of Tokyo, traditional Kabuki and Noh theatre companies and other Japanese ensembles. There are concerts conducted by Abbado, Ashkenazy, Barenboim, Maazel, Norrington, Sanderling and Tennstedt; plus Beethoven piano recitals by Brendel and Pollini (Berliner Festspiele Kartenbüro, Budapester Strasse 50, D-10787 Berlin. Tel 030-254890 Fax 030-254 8911)

■ BESANCON

Besançon's prestigious conductors' competition coincides with its annual music festival, which runs this year from Sep 4 to 17. Guest ensembles include the Czech Philharmonic under Gerd Albrecht, the Hilliard Ensemble, the Orchestre National de France under Charles Dutoit and the Orchestre National de Toulouse under Michel Plasson. There will also be a special Maurice Ohana commemorative concert given by Les Percussions de Strasbourg (8181 8226)

■ CASTELL DE PERALADA

The gardens of this Catalan castle north of Barcelona are the beautiful setting for an annual festival of opera, dance and concerts. The programme includes a recital by Anne Sophie Mutter (Aug 16), and concerts featuring Jordi Savall (Aug 14) and Alicia de Larrocha (Aug 21). The final concert on Aug 23 is given by the St Petersburg Philharmonic Orchestra under Yuri Temirkanov (072-538125)

■ HEIDELBERG

This year's open-air festival at Heidelberg Castle features productions of Cav and Pag, Romberg's The Student Prince (sung in English) and Haydn's rarely staged L'isola disabitata. Ragna Schirmer gives a piano recital on Sun morning. Eastman Philharmonia Orchestra gives a concert of Vaughan Williams, Mozart and Beethoven on Aug 18. Ends Aug 31 (Tel 06221-583521)

■ HELSINKI

The festival, celebrating its 25th anniversary, opens on Aug 24 with a Helsinki Philharmonic Orchestra concert featuring Karan Armstrong as soloist in Schoenberg's Erwartung. Esa-Pekka Salonen brings the Swedish Radio Symphony Orchestra for two concerts, and other concerts are conducted by Marek Janowski, Leif Segerstam and Hans Drewanz. Recitalists include Julian Bream, Jessye Norman and Cecilia Bartoli. There are also performances by Ingun Björnsgaard Dance Company, Susanne Linke Dance Company and the Avangil Ensemble, which brings classical and modern Islamic music from Turkey. Ends Sep 12 (664466)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. This year's programme includes anniversary celebrations of Grieg, Tchaikovsky and Rakhmaninov, a cycle of Schubert sonatas on modern concert grand and fortepiano, a Debussy series using period instruments and introductions to Medtner and Corigliano. In tonight's concert, Jos van Immerseel plays Debussy's Preludes Book I on an 1897 Hérard piano, followed tomorrow by Philippe Cassard playing Book II on a 1900 Bechstein. The line-up of artists over the next two weeks includes Nicolai Demidenko, Michel Dalberto and Stephen Hough. Ends Aug 22 (4250 5115)

■ RHEINSBERG

The chamber opera festival founded by German composer Siegfried Matthus in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its third year. The formula is simple: bring promising young singers and musicians together for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park. The results are shown in two opera productions. This summer's repertory is Matthus's 1966 arrangement of Monteverdi's Ulisse, staged by Frank Matthus and conducted by Richard Bradshaw (final performance tonight), and Carl Orff's Die Kluge, staged by Hans-Peter Lehmann and conducted by Horia Andreescu (seven performances between Aug 13 and 22). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin tel 030-463 1022.

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki and several less familiar compatriots. Tonight and tomorrow, Giuseppe Sinopoli conducts the Philharmonia Orchestra in Kiel and Flensburg. Jessye Norman gives a recital on Fri in Flensburg. André Watts gives a piano recital on Sat in Haseldorf and on Sun in Kiel. The line-up over the next ten days includes Anne Sophie Mutter, Shura Cherkassky, Igor Oistrakh, Gidon Kremer, Christa Ludwig and Yehudi Menuhin. Günter Wand conducts the North German Radio Symphony Orchestra in the closing performances of Bruckner's Eighth Symphony on Aug 21 and 22 in Lübeck (0431-567080)

■ SAN SEBASTIAN

Highlights of this year's festival (Aug 16-Sep 2) include Pier Luigi Pizzi's Monte Carlo production of La traviata, the St Petersburg Philharmonic Orchestra, Spanish National Orchestra with its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen, and church concerts featuring the Hilliard Ensemble and others (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

■ WARSAW

Despite the presence of chamber ensembles from Lithuania, Czechoslovakia and the Netherlands, this year's Warsaw Autumn contemporary music festival (Sep 17-25) has a less international look than in the past two years, apparently because of economic problems. Nevertheless, the festival continues to provide a worthwhile international platform for Poland's lively contemporary music scene, with prominent contributions from Penderecki, Lutoslawski and Gorecki (Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw. Tel/Fax 022-310607)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

A king and his people

Belgium's late monarch was a rare symbol of national identity

Belgium as such seems to inspire little affection, in either of its main linguistic communities, I wrote in the Weekend FT of July 31.

Bad timing. That very day King Baudouin died, and his death unleashed a great outpouring of national grief, in which, it seems, Dutch-speaking Flemings and French-speaking Walloons joined quite indiscriminately. In a country of only 10m people, hundreds of thousands queued outside the royal palace to file past his body.

A cartoon in Le Monde showed Flemings and Walloons approaching the palace from different directions in separate queues, but emerging on the other side as a single, tearful cortège. That may be jumping quickly to conclusions, as the paper's correspondent admitted next day. "It is too soon," he wrote, "to count the 'unitarists' and the 'separatists', since the latter could hardly show themselves at a funeral."

Certainly there is no easy way to tell how many of those who stayed at home in front of their TV sets approved the attitude of the Vlaams Blok, the Flemish separatist party, which did officially boycott the ceremonies; and even those who did feel a pang of respect for the dead king as a person were not necessarily transformed thereby into fervent Belgian patriots.

But two conversations from my recent journey through Belgium came immediately to mind when I heard of the king's death. One was with an old family friend, completely non-political, who is herself very much a Walloon but had a Flemish mother. What's the future of this country, I asked, and her answer took me by surprise: "Personally I doubt if it'll survive the present king. To my mind he's a kind of saint."

The other conversation was with a Belgian about as different from my friend as one could imagine: Mr Guido Sweron, director of the Flemish cultural centre in Fouron Saint-Martin (or, as he would prefer to call it, St Martens Voeren), one of six predominantly French-speaking villages that somehow got included in the Flemish province of Limburg back in 1962, and whose destiny has been a bone of contention in Belgian politics ever since.

Mr Sweron is what the Walloons call *un flaminguant*. That is to say, he is not just Flemish but militantly so. In his office he keeps a large map showing practically the whole of eastern Belgium as the Duchy of Limburg, as indeed it was a few centuries ago. (Limbourg, the original seat of the duchy, is now in the heart of Wallonia, east and south of Liège.)

'Belgium is kept alive for the king, some capitalistic powers – and for Brussels'

He argues that the people of this area were all historically Flemings, but that those in the southern part have been forcibly Frenchified over the centuries to the point where they no longer properly understand their own identity; and he seems to think that this entitles, indeed obliges, the state to ignore what the inhabitants think about themselves now, at least until they have had a good dose of Flemish reindoctrination from people like himself.

"Belgium," Mr Sweron said, "doesn't make any sense any more: it's just kept alive for the king, and for some capitalistic powers – and for Brussels."

Poor old king, I remember thinking. Half his subjects believe he's a saint, keeping himself alive for Belgium's sake, while the other half think Belgium is only being kept alive to give him a job. But both seem to agree that, apart from him, or apart from the monarchy, there is precious little of Belgium left.

Only the royal family now escapes the otherwise absolute division of the country into linguistic communities. No one else is allowed to be just Belgian. You have to be either French-speaking or Dutch-speaking (unless you belong to the tiny German minority on the eastern frontier); it is in that capacity that you vote, receive education, and even serve in the armed forces.

I asked Mr Sweron whether the real aim of Flemings who thought like him was to reverse the 1830 revolution, which brought Belgium into existence, and reunite the Dutch-speaking part of the country with Holland.

"No," he said. "It's not necessary for us to join Holland, or for them to join France. We thought the solution was to get a *federation* here in Belgium but, since we are building a federation in Europe, if we give 40 per cent of the power to Europe and 40 per cent to ourselves [ie, to the provinces] it's not worth keeping Belgium just for 20 per cent."

So there you have it. Behind Belgium's enthusiasm for a federal Europe lurks the hope of Flemings and Walloons that it will enable them to do away with Belgium altogether. Which leads me to think there might be a connection, if only at an unconscious level, between the wave of emotion that greeted King Baudouin's death and the crisis of the European exchange rate mechanism, which happened the same weekend.

Perhaps, in expressing their grief at the loss of a monarch who had become almost the only remaining embodiment of Belgian national identity, the Belgians were reacting to the discovery that a federal Europe is not after all just round the corner. Perhaps some of them are thinking that a nation-state, even a rather artificial bilingual one, may have its uses for a while longer.

Personally I hope so. I like Belgium. Bilingualism, which many Belgians find irksome, strikes me as something to be envied. The interplay of Gallic and Flemish culture in the Low Countries has been going on for a thousand years or more, and has produced some of Europe's greatest art. Complete separation on linguistic lines would be a sad way for it to end.

Patchy climate of confidence

The conditions for a small business revival in the UK seem to be in place, says Peter Marsh

Tyne Tees Cash and Carry, based in a converted telecommunications factory in Middlesbrough, has prospered during the recession by selling cheap, basic foods to small retailers. Mr Munir Ahmad, one of three brothers who run the £59m-turnover company, is confident of expansion, despite the uneven pace of recovery in the UK economy.

On the other side of England, Warwick Fabrics, a textiles company with 20 employees in Bourton-on-the-Water, Gloucestershire, spreads its £4m annual sales over 45 countries. In the past six months, it has increased staff by a third. Mr Cameron Warwick, sales director, says: "We're young, enthusiastic and aggressive."

In the East Midlands, Mr Geoff Duck, managing director of specialist engineering group Loughborough Sound Images, says "things couldn't be better" after the company's 40 per cent growth last year based on sales to big electronics groups such as Motorola and GEC.

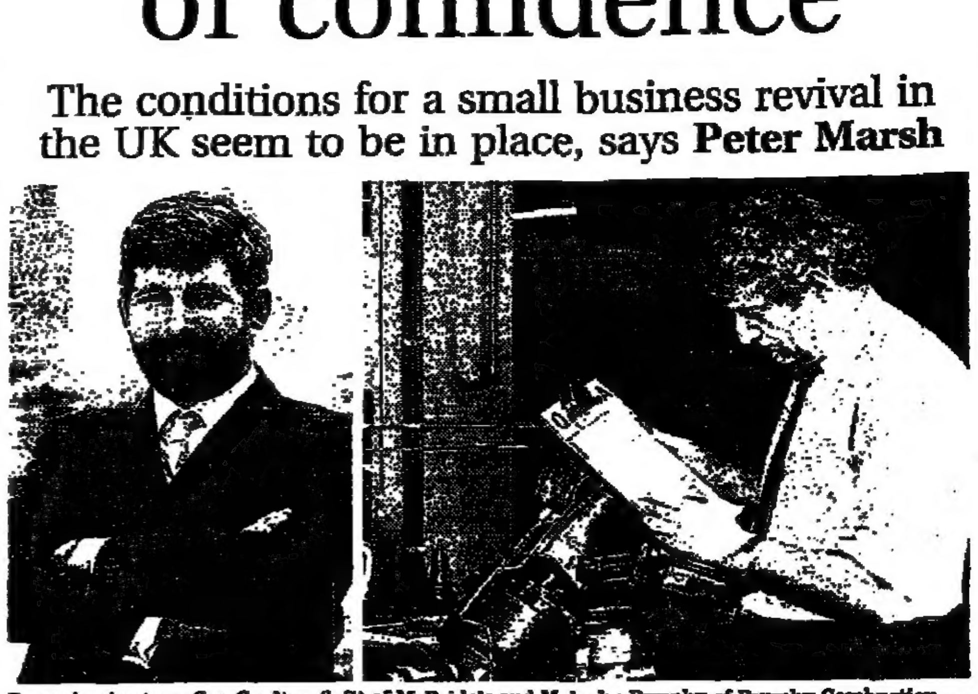
These anecdotes illustrate the optimism among many small businesses as Britain enters what the Bank of England yesterday called a "gradual recovery".

Small companies – those with fewer than 200 employees – have been worse affected than big ones during the poor economic climate of the past three years, both in terms of falling output and in the number of business failures. But a survey last week from the Confederation of British Industry says that the small manufacturers which have survived are more likely than larger groups to increase staff and investment in the next few months.

A similar message came from another survey last month of nearly 9,000 companies in both manufacturing and services conducted by the British Chambers of Commerce. It said small companies – which account for roughly three-quarters of the UK workforce – had increased their staff in the second quarter, while bigger groups continued to reduce employees.

In the case of those small British businesses which are prospering, their relative success can be explained largely by the following factors:

- value-for-money products or services that suit recession-hit customers;
- bias towards exports, which have been an important factor behind recent UK growth, helped by the depreciation in sterling following Britain's exit from the European exchange rate mechanism, and the consequent fall in interest rates;
- specialist activities directed towards big companies, which have shed staff during the recession and have become more dependent on subcontracting;
- eagerness of staff to show a flexible approach to work, partly because they fear unemployment which, in spite of the recent five-month drop of 83,100, remains high at 2.91m;
- enthusiasm from the people in charge of the companies, who often own a majority stake and so have a strong financial incentive to see their businesses do well.



Recession-beaters: Gus Coulton (left) of McBride's and Malcolm Dunphy of Dunphy Combustion

One company exhibiting several of these characteristics is Dunphy Combustion, a family-owned maker of low-pollution burners for boilers and central heating equipment, based in Rochdale, Lancashire. It has grown rapidly in the past three years, exporting 95 per cent of its products.

Mr Malcolm Dunphy, who set up the company 29 years ago, gives his sales staff twice-weekly German lessons to help them in continental markets. He has also started building what will be a £1m research centre "to turn Rochdale into the Silicon Valley for environmental technology". He says UK manufacturers "are so used to thinking they are inferior, they don't appreciate the export opportunities". His company is budgeting for a 50 per cent increase in turnover this year, mainly on the back of orders from Germany for central heating equipment.

Even though the evidence from small companies such as Dunphy points to better times ahead for the sector, the CBI and chambers of commerce surveys underline the fact that big, rather than small, companies have been in the lead in pushing up output in the first half of the year.

'Opportunities for a sustained recovery depend on the small business sector'

Mr Richard Brown, deputy director-general of the chambers of commerce, explains that, in the early phase of recovery, bigger groups would be expected to increase orders and output faster than their smaller counterparts. This is because their greater resources, in terms of production lines and marketing staff, can be activated more easily on signs of higher demand.

But he is cheered by signs of higher recruitment by small companies. "The opportunities for a sustained recovery very much depend on the small business sector," says Mr Brown.

Even so, the sector as a whole is a long way from being pronounced healthy. Bankruptcies among small traders totalled 21,678 in the first half of this year, up 12.5 per cent on the same period last year, according to business-information company Dun & Bradstreet.

Yet the rate of formation of small companies is high. According to the chambers of commerce, precise figures for new business starts are hard to come by. It says that as a rough rule, about 10 per cent of the 2m or so small businesses collapsed each year during the recession, only to be replaced by new ones at about the same rate. More recent evidence is that company starts may be increasing.

Jordans, which specialises in analysing business start-ups based on registrations from Companies House, says in the first six months of the year, 55,567 companies were started. This was 5.5 per cent up on the first half of 1992 and the first rise since the recession began about three years ago.

Mr Stephen Alambritis of the 58,000-member Federation of Small Businesses, says positive factors helping the sector include brighter economic prospects and signs of greater financial support by the banks.

Although small companies continue to complain about the difficulties of increasing their overdrafts and getting new loans, the banks say they do have money to lend and that bad debts are now less of a problem.

National Westminster Bank, which claims to handle the accounts of 30 per cent of new small businesses, says that the outlook for the sector is "cautiously optimistic", with its own figures indicating that start-ups so far this year are slightly higher than in the second half of last year.

Illustrating the generally brighter prospects for the sector, Manchester-based Mother Hubbard Cakes, which started in 1979 and makes cakes for supermarkets such as Asda and Kwik-Save, is operating its second-hand cake plant 24 hours a day. It has expanded to annual sales of £2.5m and taken on a third of its 90 staff in the past year.

"We can take out 25 per cent of our competitors' costs, for example by cutting down on packaging, and still make an adequate margin," boasts Mr Philip Wilson, managing director.

Another who claims the recession has helped is Mr Gus Coulton, who started London-based McBride's Design Consultants alone in 1989, and now employs 10 people. He undercuts bigger rivals because his employees each do a range of jobs from design work to chasing up invoices.

But can the generally good progress of these small companies last?

A large part of the answer depends on the overall economic climate and confidence levels among consumers and big companies. Figures out this week showed a new willingness among consumers to borrow with total consumer credit rising in June by £213m, the highest monthly figure for two years. Meanwhile, many large companies are confident that their output may rise slightly over the next year.

Assuming further reductions in interest rates across Europe, which will help export demand, a continuation of better conditions for obtaining bank finance and no further hiccups in the UK recovery, the conditions for a small business revival seem to be in place.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Group seeks consensus on bus plan

From Mr Peter Foy.

Sir, Your article on London First and bus deregulation ("Business group attacks plan to deregulate London's buses", August 9) is misleading in that the paper to which it refers does not attack or, for that matter, support deregulation.

As stated in the paper's introduction, its aim is to build a consensus around a number of practical proposals to ensure deregulation capitalises on the significant improvements achieved in recent years.

We aim to work in partnership with others to achieve continuing improvements in London.

Peter Foy,
chairman,
Transport Steering Group,
London First,
5 Cleveland Place,
London SW1Y 6JJ

Government's code of practice contains too many exceptions

From Mr Maurice Frankel.

Sir, May I enter some reservations about John Willman's optimistic account of how the new voluntary open government code of practice will work under the ombudsman's supervision ("Eagle eye turned on Whitehall's secrecy", August 9)?

Before asking how effectively the ombudsman will secure compliance, it is worth asking what precisely there is to comply with. Unlike freedom of information laws (FOI) overseas the code does not offer access to documents. The government says it will answer questions but not release original paperwork – a fundamental defect. There is no comparison between the detailed truth of records, assumptions, oversights, calculations, contradictions and so on, and a brief letter giving the department's edited summary.

Access under the code will be limited to "factual information". Analysis, projections and the technical advice of government experts will be withheld. So will anything considered "unreliable" or "misleading". Would the monthly unemployment figures – whose "unreliable" statistical basis has prompted innumerable recalculations in recent years – be available under these criteria?

There is also a formidable series of exemptions, many more sweeping than under FOI legislation. How much of the truth will appear in the trickle of remaining facts? The ombudsman might find that most secrecy is beyond his reach, being permitted by the code's overgenerous exemptions.

The suggestion that only the ombudsman and not the courts can examine documents protected by public interest immunity certificates is incorrect. As the Matrix Churchill case demonstrated, a judge can examine them and – unlike the ombudsman – order their disclosure even if the government objects.

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Vocational training debate needs answers

From Mr Rodney J Copping.

Sir, Your leader item, "Leaving school" (August 10), reiterates the never-ending debate without resolution on vocational training.

The plethora of reviews and reports has failed miserably in identifying a basic requirement. There is a fundamental need to make business and education interface directly, perhaps statutorily, and with consistent joint funding.

The current fragmented and piecemeal initiatives, hyped by lip service and inadequately funded, will leave vocational training as it has been regarded for a hundred years – an activity for the underprivileged.

Educationalists and industrialists should stop debating where responsibility lies and jointly commit substantial resources to a long-term strategy for educating and training our future workforce.

Rodney J Copping,
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European leaders shamed by failure to help defend Bosnian Moslems

From Mr I S Hutcheson.

Sir, I would like to congratulate Edward Mortimer on his article on Bosnia, "Wrong order of priority" (August 4).

Every time that the topic of Bosnia is raised I feel a deep sense of personal shame and humiliation as a result of continuous violations of the most basic tenets of civilisation going unchecked and unpunished – shame as a citizen of the UK and Europe, humiliation through anger and impotence.

The failure of western Europe to respond to flagrant racially motivated aggression in its immediate area of influence, when the west possessed overwhelming military power to resist or punish it, will be condemned by history.

Europe, with the UK to the fore, appears to have contrived the military disadvantage and ultimate defeat of the Bosnian Moslems through an arms embargo, knowing that the Serbs had obtained the major part of the old Yugoslavia's weaponry and also possessed an efficient arms industry of their own.

The situation has been made disastrously worse by tantalisingly assuring the Moslems of a fair settlement that would not reward aggression. Had we told them the truth – that we would not allow them the weapons necessary to defend themselves and would not defend them either – they would have had to face reality and negotiate a settlement before the privations and huge loss of innocent lives that have taken place.

We can surely only forgive Moslems throughout the world if they subscribe to a conspiracy theory. If it were not for the collective vacillating incompetence displayed by our leadership, to say nothing of lack of moral courage, I could easily subscribe to such a theory myself. I hope it is not true.

We are living through a dark period of European history, and the exchange rate mechanism is indeed of little relative consequence. We should all remember that civilisation is precious and one of the few things worth fighting for. It is only skin deep, the skin has been broken and we are haemorrhaging.

I S Hutcheson,
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Monetary union may not be so hard to achieve

From Mr Ian Harden.

Sir, Commentators on the recent changes in the exchange rate mechanism seem largely agreed that monetary union has become less likely. Some have even claimed that the Maastricht process is now dead.

Careful reading of the treaty and its protocols may suggest a different picture.

Article 3 of the protocol on the convergence criteria specifies that: "The criterion on participation in the exchange rate mechanism. . . shall mean that a member state has respected the normal fluctuation margins provided for by the exchange rate mechanism. . . without severe tensions for at least the last two years before the examination."

Since the changes to the ERM take the form of a broadening of the "normal fluctuation margins", this criterion would now seem rather easier to fulfil than was the case before.

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Mr Zhu's risk and reward

IN 1989, with the tanks in Tiananmen Square and conservative communists overseeing economic retrenchment after a bout of reform, the world swung suddenly from tremulous optimism about China's prospects to deepest gloom. The darkness which was beginning to lift from the Soviet bloc seemed destined to envelop China indefinitely. On the economic front, these fears soon proved unjustified: reforms resumed. In viewing the authorities' present attempts to slow the resulting upswing, those who have been in awe of China's economic miracle should not again lurch towards unwarranted pessimism.

To be sure, the future is uncertain and, for many Chinese, not so bright. The government continues to trample without qualm on the rights of its citizens. There is increasing unhappiness among the 900m-strong rural population. Any senior figure's grip on power must be regarded as tenuous given the turmoil which could follow the death of Mr Deng Xiaoping.

However, there is an essential difference between the austerity measures of 1988-89 and the present: this time the economic reformers, not the hard-liners, are in charge. Mr Zhu Rongji, chief executor of economic reform, is both senior vice premier in charge of the economy and governor of the central bank. His future depends on his ability to prevent a chaotic hard landing for the economy. This means facing down both provincial bosses who must curb ambitions for growth, and powerful people within the Communist party who have lined their pockets in the good times. But it does not mean wresting back control over the whole economy and reverting to central planning.

The control which Mr Zhu needs to regain is – although on a larger scale and with bigger obstacles than is normal – that which any government with an overheated economy should seek: to rein in the money supply, inflation and government spending. Reports suggests he is fierce in pursuit of his task, accusing officials of providing false statistics and interrogating them about sources of funds for development plans. He has cut off funds which were fuelling speculation and clamped down on excesses such as golf courses and luxury villas. The property, construction and steel sectors have felt the effects.

Mr Zhu's main focus is rightly on the financial system, which has been haemorrhaging money, partly because of the structural inadequacies of state-owned banks and partly through corrupt lending. This will give him the opportunity to impose more market-oriented disciplines on banks, an area which had received little attention thus far.

Inevitably, there is much pain to come as Mr Zhu's measures take hold. But success would mean that the swings between booms and busts at home, and euphoria and gloom abroad, would become less violent. Even if some reforms, such as of prices, are delayed, he would have smoothed the path of economic change which is the brightest hope for China's future.

A sceptical Bank

THE BANK of England's new freedom to publish a quarterly and critical commentary on the Treasury's economic policy and performance is a valuable and thoroughly un-British innovation. The underlying message of yesterday's inflation report seems to be that the government has not yet done enough to convince either the financial markets, or the Bank, that it will meet its medium-term inflation targets. But its rather elliptical style still makes it a challenge to discern what the Bank really thinks.

In the short-term, the clear message of the Bank's report is that inflationary pressures are not a pressing problem for UK economic management. Despite nascent recovery and falling unemployment, there is still plenty of disinflation left in the system. Monetary growth remains sluggish, employment is falling and wage inflation and settlements are subdued. Lower unit labour costs have offset the recent rise in import prices.

The Bank's central projection is that underlying inflation will remain within the government's 1-4 per cent target range over the next two years. It thus clears the way for a further cut in short-term interest rates this autumn. Assuming that the government's popularity remains low, and the recovery remains weak and patchy, such a rate cut is likely to be as politically necessary as it is economically sensible.

But the inflation report provides a powerful counterweight to the idea that the recent bond market rally implies that the medium-term inflation threat has also disappeared. The rally in long-term government bonds has reduced nominal yields on gilts by around a percentage point since May but also knocked a quarter point off index-linked gilt yields. Expected inflation over the next decade – measured by the gap between nominal and real yields – thus remains around 5 per cent, inconsistent with the government's inflation target. This gap has narrowed by around half a point over the last three months, but remains higher than before sterling left the exchange rate mechanism last autumn.

The Bank provides two explanations for this market scepticism: the likelihood that wage inflation will accelerate when the recovery arrives, and the risk that some future government will choose to monetise Britain's growing public debt. The Bank offers no advice about how to deal with the wage problem. But on fiscal policy, it is more forthright, hinting strongly that the Treasury has not yet done enough to cut the budget deficit.

There is a third reason for these investor nerves. No sensible banker would wilfully impose an unnecessarily high burden on future tax-payers. But the Bank continues to issue gilts at a minimum five year maturity even though the yield curve is steeply sloped. There can be only one explanation: in its heart, the Bank does not really believe in the government's inflation target either.

Pricing drugs

ON THE FACE of it, the UK drugs industry has been let off lightly under yesterday's proposed five-year deal with the Department of Health. The 2.5 per cent price cut is less than might have been expected, while there has been no tightening of the overall profit control mechanism. A 17 to 21 per cent target for return on capital employed is generous by comparison with the average 12.5 per cent earned by British industry as a whole.

But the pharmaceutical price regulation scheme cannot be seen in isolation. In its attempt to control the £3.4bn National Health Service drugs bill – which is growing at more than 10 per cent a year – the government has also curbed doctors' prescription budgets and is extending the blacklist of medicines it will refuse to pay for on the grounds that they are too expensive or non-essential. The latter plan in particular has provoked cries of protest from the industry, with dire warnings that it could undermine its international competitiveness while harming patient care.

These complaints should, in the main, be dismissed. Although the NHS's position as near-monopoly purchaser of prescription drugs in the UK could theoretically allow it to drive an excessively hard bargain, there is no evidence that it has actually abused its power in this way. Rather it has sought to develop a long-term relationship, which has allowed British pharmaceutical companies to invest in research and shine in world markets earning £8bn a year in exports.

But at a time when cost-cutting is necessary throughout the public sector in order to contain the budget deficit, it is only right that the drugs bill should bear some of the strain. To achieve this, it is legitimate for the government to refuse to pay for drugs where cheaper but adequate substitutes are available or where it is reasonable for patients to pay themselves. What is being proposed is less drastic than similar moves to control drugs bills in other countries such as Germany, where blacklists are broader and doctors' salaries are docked if they exceed their prescription budgets.

In so far as there is valid criticism of the government's approach, it is over the way the blacklists have been implemented, rather than the principle. Because there has been no clear explanation of how drugs will be chosen for the blacklist, the industry says it may not go to the expense and trouble of launching certain categories of drugs out of fear that they could be blacklisted, or their prices artificially suppressed.

To avoid this danger, it is important that the government sets out openly the criteria for drawing up such lists and reassures the industry that innovative new drugs will earn premium prices. That way, it will be able to continue its tricky balancing act of safeguarding patients' and taxpayers' interests while supporting one of the few British industries still at the top of the world league.

Why does RTZ, the world's largest mining company, keep a low profile and resist the urge to speculate, asks David Lascelles

Deep appetite for deposits

Digging very large holes in other people's countries is an occupation that requires sensitive political antennae as well good mining skills.

Few companies know this better than RTZ, the largest mining company in the world. Its decision earlier this week to cut its stake in the Lihir Island gold project in Papua New Guinea from 80 per cent to only 20 per cent is seen as an act of political as well as commercial caution.

Lihir Island is one of the largest gold deposits in the world. But it lies in a country where an RTZ affiliate has already had to close a copper mine – Bougainville – because of local uprisings. The deposit is also situated at the bottom of a volcanic crater full of hot water and is potentially expensive to extract. So while Lihir Island fitted RTZ's appetite for large deposits, it lacked the company's other requirements of political stability and low cost.

RTZ's business philosophy has been honed by decades of experience, much of it uncomfortable, even bitter. This has taught it to take a low profile and be rigorous with its sums. It runs its £7bn empire from inconspicuous offices in the corner of St James's Square in London's West End. It does not plaster its name over its operations: you will search in vain for any sign of RTZ's proprietorship at most of its mines. Its chairman, Sir Derek Birkin, an undemonstrative but tough-minded Yorkshireman, shuns the limelight.

In a recent interview, he said: "It's an emotive business . . . We don't like to go in with our heavy boots on."

But behind the low-key exterior, the company's strategy has a clear objective: to secure for RTZ the strongest possible position in whichever market it decides to enter. The company's global structure is held together by tight budget controls and short communication lines. However, in order to cater for the strong local sensibilities of its operations, regional managers are given a high degree of autonomy: they are supposed to know how to handle decisions on the ground, deal with local politicians, smooth the way for RTZ's plans, set the priorities. This allows Sir Derek to run a business that has some 67,500 employees with a headquarters staff of only 250 people.

"It's hard work, this management style," he says. "We all have to travel a lot."

But if RTZ is now arguably the most successful leading British company in its field, it only got there after painful upheavals.

It began as a Victorian mining finance house which invested in new mining ventures, and gradually came to own and operate mines itself. A strong period of growth came after the merger of Rio Tinto and Consolidated Zinc Corp in 1962. But in the 1980s controls weakened, and ambitious local barons threatened to pull the group apart. The centre had to reassert itself: a period of retrenchment followed during the mid-1980s, with sell-offs and staff cuts.

The change was also cultural: the company traditionally had strong links with the establishment and its pillars, like Barclays Bank. The change brought greater toughness and independence, and a clearer sense of its objectives.

RTZ got back into shape just in time to pull off the coup that finally propelled it to the top of the mining league: the 1989 acquisition of most of the mining and minerals operations of British Petroleum. This $3.7bn deal almost doubled RTZ's size and brought it several additional businesses, including Kennecott, the owner of Bingham Canyon in Utah, one of the world's largest copper mines.

Today, RTZ mines virtually all the leading industrial and precious metals, including 7 per cent of the world's copper, and a wide range of minerals. It is the world's largest producer of several commodities including boron, a versatile mineral used in a variety of industries from glassmaking and power transformers to fertilisers and detergents. RTZ's Borax mine in the Mojave desert outside Los Angeles shares the entire world market for boron with only one other producer, in Turkey.

Geographically, RTZ operates in most corners of the globe. Half its business is in North America. It owns 30 per cent of Escondida, Chile's newest copper mine, and 49 per cent of CRA, the large Australian mining concern. Other countries with an important RTZ presence include South Africa, Namibia, Portugal and France.

RTZ's corporate philosophy is driven by its belief that success in a commodity business such as metals depends almost entirely on an ability to produce the goods more cheaply than anyone else. Provided the quality is right, other attributes such as marketing are secondary, because buyers will automatically go for the lowest price.

RTZ has therefore concentrated on building up a portfolio of high-quality, low-cost mines containing world-class deposits that can withstand the bucking of the commodity markets. Although it prefers to have overall control, RTZ is willing to take part shares in exceptional mines, such as Escondida. This serves a special purpose in the tightly circumscribed mining business: every deposit you control is one fewer for your competitors.

Like most mining concerns, RTZ has a corporate culture shaped by the earthiness of the business, and the long-time horizons needed to open up and exploit mines. There is a strong resistance, for example, to the urge to speculate. Mr Bob Adams, head of planning and strategy, says: "If people say to us 'what are you hot on?', we say we don't know. No one's clever enough to pick winners. What we do know is that if we're in the best mines in any commodity, we have a good profit base."

There is also a reluctance to go downstream and get involved in smelting and refining more than necessary. "We are in mining. It's all we're interested in," says Sir Derek.

In fact, Sir Derek's comment is more a wish than a reality. If RTZ has a flaw, it is Pillar, an aluminium fabricating company acquired as part of an earlier diversification. Pillar has been badly hit by the recession and is believed to be up for sale, though RTZ will not confirm this officially.

The wariness of speculation extends to the futures and currency markets, and even interest rates. When RTZ bought the BP business, it financed the deal with fixed-rate money, contrary to its usual policy of going for floating rates. This proved expensive, because rates subsequently fell and RTZ ended up with a much larger interest bill than necessary. Mr Bob Wilson, the chief executive, says the company acted the way it did, not because it took a view on the market "but because we felt we could not afford to expose the company to a rise in interest rates".

RTZ could take one simple step to reduce its currency exposure: relocate to the US. But there is an ingrained resistance even to discussing this idea, since that might imply it was an option. Sir Derek says: "Eighty eight per cent of our shareholder base is in the UK, and we want to stay close. We do think that being British is helpful. There's an image of fair play, of cultural skills. That's not meant to sound denigrating to other countries."

RTZ's strongest protection against market fluctuations is its sheer size. Although its heavy dependence on copper means that a 10 cent fall in the price knocks £53m off profits, the chances are that some other metal will be rising at the same time. Even so, the overall weakness of the commodity markets, which has seen metals prices fall on average 30 per cent over the past three years, has put a severe strain on the company's profits. From a pre-tax peak of £1.3bn in 1989, they fell to £537m last year.

The company has also shown that size can be useful in mobilising resources for acquisitions and project developments. Having only just digested the BP deal, the company recently paid $470m for a large, open-cast coal operation in Wyoming, which has added a further facet to the business. (But RTZ will not be bidding for British Coal because it does not fit RTZ's low-cost, world-class formula.)

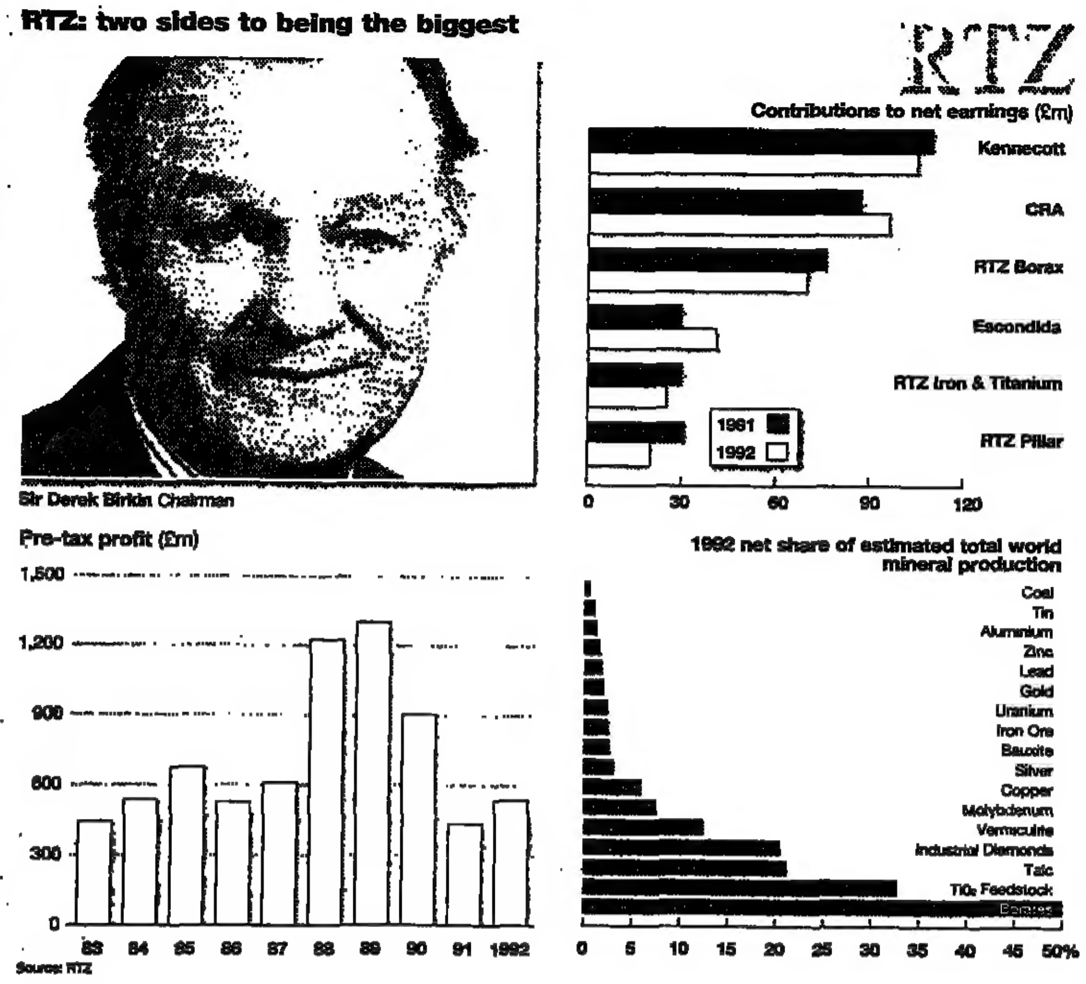
RTZ's dominance of the mining business has a strong influence on the behaviour of its competitors. In the US, Cyprus Minerals and Amax are about to merge to form a $5bn mining company, in a move widely seen as a bid for greater size and muscle. Mr Allen Born, the chairman of Amax, says: "RTZ has always been well run. Its size enables it to balance different commodities." Even so, Cyprus Amax will only be half as big as RTZ.

But size also has its drawbacks. One is conspicuousness, which RTZ deals with by being deliberately low key, and paying close attention to sensitive matters such as the environment and relations with host governments. Green pressures are now intense (one environmental lobby group, the London-based Partizans, was formed specifically to watch RTZ). The company tries to deal with them by setting common standards for the group, and anticipating the regulators. "If you act responsibly, you're wanted," says Sir Derek.

Another drawback is vulnerability to the charge of monopolistic behaviour in an industry where markets are easily cornered. RTZ is cautious about the way it prices boron, for example, to avoid anti-trust action. "Breaking the company up would be a great pity," says Sir Derek. "You've got to have clout to succeed in this business, clout with bankers and governments."

Although the gradual consolidation of RTZ's competitors means the pressures are rising, it is still the leader in the field, which means that much of the drive has to come from self-discipline. Mr Wilson, the chief executive, says: "We have to guard against thinking the job is done. The object is not to think we're the best, but to be the best in five or 10 years."

RTZ: two sides to being the biggest



Copper-coloured outlook

When RTZ bought BP Minerals in 1989, it became owner of the giant Bingham Canyon copper mine in Utah, the largest in the US. It was a bold move. Spoil heaps more than 1,000 feet high, clearly visible from the centre of Salt Lake City 15 miles away, were a huge environmental liability. Bingham had also been shut down by labour troubles in the mid-1980s, and much of the processing plant was obsolete, writes David Lascelles.

But RTZ thought it had a good deal, because Bingham's copper deposits were world class and, with good management, capable of being mined at low cost. The board approved a $1.1bn programme of investments to raise ore recovery and modernise the smelter and refinery. It also gave the operating company back the name that BP had removed: Kennecott.

Three years later, RTZ has managed to get Bingham's production costs down, but weak copper prices have squeezed profits.

Mr Bob Cooper, Kennecott's newly appointed chief executive officer, says: "Kennecott is positioned to handle that. We are the lowest-cost US producer." Mr Cooper thinks Bingham can even aspire to produce the cheapest copper in the world if it uses technology to the full.

"Now that we're run by a mining company and not an oil company, it's very different," he says. "BP wanted quick returns."

The environmental aspects are more complicated. Bingham is a potential target of Washington's Superfund programme, under which sites are compulsorily cleaned up at the owner's expense. To head off this risk Kennecott is negotiating an action plan with the authorities. A $30m water containment and landscaping project has already been launched, and the new smelter will help clean the air.

Mr Kent Gray, director of remediation in Utah's Environmental Quality Bureau, says: "There's a lot of concern from the public and regulatory agencies. But we're pleased with the progress Kennecott has made."

A point going for RTZ – which claims to have raised Kennecott's environmental standards since it took over – is that it is one of Utah's largest employers, so the state is keen to avoid regulatory overkill. RTZ has asked Kennecott to prepare plans showing how the two-mile wide pit will be shut down when the ore runs out in 35 years – something it had not previously done.

OBSERVER

How green is Wanless?

■ If the government wanted a financial man to take over the chairmanship of the Advisory Committee on Business and the Environment, Derek Wanless was the obvious choice. He has claimed for NatWest, which he runs, the title of Britain's greenest bank, and aged only 46 he might almost be said to belong to the environmental generation.

Wanless recently put his name to NatWest's environmental audit, the first by a UK clearing bank, and last year he was one of the moving forces behind the UN's declaration on banks and the environment. NatWest's annual report is printed on paper from "sustainably managed resources" and the postal wrapper is "UV light degradable."

But will Wanless have the time and vision to fulfill his new role? He has only been running NatWest for 16 months, and it is still recovering from its financial woes. His environmental audit revealed as great a preoccupation with saving envelopes and switching off lights as it did with the great ecological issues of the day.

"Environmental sense, business sense" is Wanless' watchword. The government will be looking for something rather more instructive than that from its "green chip" businessmen. As for the investment community, there will be a worry that Wanless's enthusiasm for fashionable extra-curricular activities suggests another sort of greenness. Chairing government quangos is normally a job for elderly bank chairmen, not young bank chief executives.

Nailed down

■ Forget the currency crises, General Motors' tiff with Volkswagen, or the recession. The big question on the table at Germany's Wickert polling institute is whether long red-lacquered fingernails are sexy.

Based on the opinion of 63 per cent of those questioned, the answer is no. This might seem surprising, at first sight, but may be explained by the fact that red nails are seen as a tell-tale sign of lethargy, laziness, boredom, and lack of self-confidence.

Not the sort of things self-respecting Germans want to be associated with, least of all in these straightened times.

Monkey business

■ Whatever else you do, don't shoot the monkeys. This is the lesson of a diplomatic incident in Malaysia after the US and its allies cracked down on a band of monkeys which had been disrupting US embassy garden parties.

The US diplomat, charged with restraining the invaders, had counter-attacked, first with catapults, and then sprays, but to no avail. The situation started to turn really ugly when the monkeys began chasing the hapless envoy round his own garden. Finally the local wildlife officers had to be called in and very soon there were 19 dead monkeys.

The local media, which tends to mirror the generally anti-US views of Malaysian prime minister, Dr Mahathir Mohamad, was incensed by the escalation in hostilities. Why, thundered an editorial in one local paper, had the wildlife officers allowed themselves to be cajoled into doing the dirty work of foreigners?

The monkeys were playful, amorous creatures. It was barbaric to shoot them. The paper suggested that the foreigners, rather than the monkeys, should be rounded up and shot. The US ambassador is said to be swinging from the trees in rage over the whole incident.

Family affairs

■ Is Sir James Goldsmith's family more important than the Rothschilds? This seems to be the sub-text to the news that the billionaire financier has commissioned Anthony Allfrey, a retired political consultant, to pen a history of the Goldsmith dynasty.

Allfrey, whose book on King Edward VII and his Jewish Court was well reviewed, admits that Sir James is paying for the research but says that he has been given an entirely free hand to investigate a family which stretches back over 500 years. Since there are already two biographies of Sir James himself, Allfrey's patron will not merit much attention. Even so, it promises to be an upbeat work. "There are bound to be bad apples in any barrel," says Allfrey, "but I haven't found any."

It sounds like an ego trip but then the Goldsmiths are not alone. The Warburgs, for example, might be new boys on the block but they were upset by Jacques Attali's portrayal of their affairs, and have bent over backwards to help Ron Chernow, award-winning author of The House of Morgan, with a more sympathetic book on the Warburg dynasty.

Mrs T turns ugly

■ The vast majority of cases brought to the attentions of the Pensions Ombudsman are those of the genuinely aggrieved. But not all. Take the case of Mrs T, a widower, summarised in the annual report.

Mrs T had complained about the inordinate time the trustees of her late husband's scheme took to pay her widow's benefit and the fact that her letters went unanswered. But on closer examination it emerged that she had neglected to tell the trustees her husband had died and had sent 14 letters of complaint to the wrong address.

Undeterred, the pensions manager sought to make amends, inviting her to the pensioner's annual Christmas party and arranging her transport. "Mrs T repaid these kindnesses by throwing her portion of Christmas pudding and custard at him," the report notes soberly.

Business tip

■ Saucy seaside postcard artist Arnold Taylor on why sales are falling: "the bottom's gone out of the market".

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Hochtief invited to bid for big UK rail project

By Rachel Johnson in London

THE British government has privately invited a leading German contractor to form a consortium and compete for the contract to build the £2bn-£3bn ($3bn-$4.5bn) high-speed rail link connecting the Channel tunnel with London.

Its approach to Hochtief – the Essen-based contractor responsible for shifting the temples at Abu Simbel and constructing the Bosphorus Bridge – is likely to annoy UK companies that have spent, in some cases, millions of pounds in preliminary assessments.

The approach suggests the government is not happy with the quality of companies which have expressed interest in the project so far and is so eager to transfer responsibility for the link to the private sector that it is ready to award the work to continental European contractors with greater financial muscle than their British counterparts.

Under the British Treasury's so-called Ryrie Rules, private sector finance is allowed only if it delivers a project more cheaply than public funding. This is unlikely since the government can borrow at lower rates of interest than the private sector.

Whatever the government's motives, the move will be seen by Eurorail, the Trafalgar House-GEC-BICC joint venture established specifically to bid for the work on the link, as a blow to its chances of success.

The chairman of a large construction company allied to the consortium said he was "spitting blood" about the approach to Hochtief, which the Department of Transport does not acknowledge. Officially, the government had made no "proactive approaches" to individual companies, the department said.

But Hochtief confirmed it had been asked to form a consortium. "Of course, we are very interested", it said.

In 1990, Eurorail's bid to build the line was rejected by the transport secretary because the public subsidy required by the companies was thought too high.

The government issued a consultation paper earlier this year on how best to harness the private sector for the project, to which about 50 companies responded.

The DoT has finished sifting through the replies and this week appointed Hill Samuel, the merchant bank, to co-ordinate the transfer of the project to the private sector.

Eurorail said the Government had "clearly not been overwhelmed" by the number of companies wanting to be promoters of the project.

The group doubted whether a German company would be keen to get involved given that the work will involve complex new legislation and extensive planning consents.

Spending cuts put British rail privatisation at risk, Page 5

Nafta talks deadlocked over side agreements

By Bernard Simon in Toronto

THE FUTURE of the North American Free Trade Agreement is in the balance, pending decisions by the US, Canada and Mexico on a handful of politically sensitive side deals on labour and the environment.

The uncertainty was summed up by a Canadian official yesterday who said the three countries were "very, very close" to an agreement, but "there are a couple of really tough issues which people have to think through".

After almost two weeks of talks in Washington, which ended on Monday afternoon, negotiators are now reporting to their governments on remaining obstacles. The three countries' trade ministers met for more than five hours on Monday.

Senior negotiators may meet again tomorrow, depending on the prospects for breaking the deadlock. One official said it had become impossible to look more than "24 or 36 hours ahead".

The most intractable issues remain enforcement of the two side agreements and the sanctions which would be applied for non-compliance.

Canada, in particular, is resisting US efforts to penalise violations of environmental and labour standards with compulsory trade remedies. "We see protectionism written all over that," one Canadian official said.

The Mexicans, who have more at stake in Nafta as a whole, are understood to be taking a more flexible line on sanctions.

A number of alternatives have been proposed, including fines levied against violators, and a "menu" of sanctions from which the parties could choose in the event of a dispute.

Another possibility is that the US will conclude separate enforcement agreements with Canada and Mexico.

The three countries have also yet to agree for instance, on the scope of domestic labour legislation. The Clinton administration cannot afford to sign a deal which does not have a reasonable chance of being ratified by the two houses of Congress.

In Canada, the Progressive Conservative government faces a general election within the next three months. Free trade is not popular among Canadian voters.

Mexico changes tune, Page 4

Bank of England warns government over inflation

By Peter Marsh, Economics Correspondent in London

THE ARGUMENTS for a tax rise in the November UK Budget strengthened last night after the Bank of England warned that the chances of Britain's maintaining its recent better record on inflation could be jeopardised by spiralling government borrowing.

The Bank said in its quarterly inflation report that the UK Treasury's favoured measure of underlying inflation – the year-on-year increase in the retail prices index, excluding mortgage payments – is likely to stay under the government's 4 per cent target ceiling over the next two years.

The prospect of underlying inflation dropping to the lower part of the government's 1-4 per cent target range over the next four years was "within reach" as long as the government maintained tight control of fiscal and monetary policies.

The Bank warned, however, that government borrowing, adjusted for inflation and expressed as a proportion of national output, was higher than at any time since the second world war. It warned this "must be tackled" to keep the confidence of financial markets.

The report said Britain's deficit excluding interest payments was "much larger" than that for any other member of the Group of Seven industrial nations – the US, Germany, Japan, Canada, France and Italy.

Unless Britain took action to bring revenues and spending "closer to balance" the possibility of deficits staying high for some time might damage the credibility of anti-inflationary policies. That could follow from worries in capital markets that the government might finance the deficits by printing money.

The Bank left open whether it favoured a tax rise in November for the next financial year, to come on top of the £6.7bn ($10bn) of extra taxation already due next April. But it said in the report further fiscal action "may be required".

While relatively upbeat about the progress of the UK recovery in the first half of the year, the Bank said domestic and overseas demand was "uneven" and could be adversely affected by the weakening economies in continental Europe.

It gave a clear hint that in spite of signs of a slowing in the pace of upturn in the past two months, a cut in interest rates over the next month or so was unlikely to be on the agenda of Mr Kenneth Clarke, the chancellor of the exchequer.

The Bank's comments came in a flagship publication launched early this year as part of a government effort to win greater public confidence in its economic policies. The Bank gives unfettered comments about inflation, though stops short of divulging policy advice to the Treasury.

The remarks appear to increase the chances that Mr Clarke, on the back of reduced worries about inflation, may ease borrowing conditions closer to the time of the November Budget. Any cuts in base rates, held at 6 per cent since January, might partially compensate for the demand-sapping effect of a rise in taxation in the Budget to curb the £50bn budget deficit.

Editorial comment, Page 9

Equity market optimism hit by BOC warning

Continued from Page 1

But we are being realistic in reporting what we see in the market place."

There was also pressure on BOC's medical business in the US, partly due to the Clinton administration's attempts to control healthcare costs.

Forane, its leading anaesthetic, came off patent in the US in January and became subject to generic competition. Since then, BOC said, it had lost up to 42 per cent of its market. The loss should reach 50 per cent in the reasonably near future, though it was then expected to stabilise. Its new anaesthetic Suprane, which went on sale in the US in April, would not contribute significantly to earnings for some time.

BOC said its vacuum business, which supplies the semiconductor industry, had benefited from an upturn in US electronics and sterling's devaluation last September. The division, which exports from the UK, had seen its profits nearly double this year. "The exchange rate has helped, and we've taken full advantage of it", BOC said.

The company argued economic statistics made it clear that recovery was under way in several of its main markets, and this should help the gases business.

BOC shares finished 63p lower at 651p.

The FT-SE 100 index, which had risen to record heights over the past week on hopes of economic recovery and the troubles in the collapse of the exchange rate mechanism, had looked poised yesterday to break through 3,000 after gaining in 12 of the previous 13 trading sessions. In the event, the index closed down 14.8 points at 2,971.6.

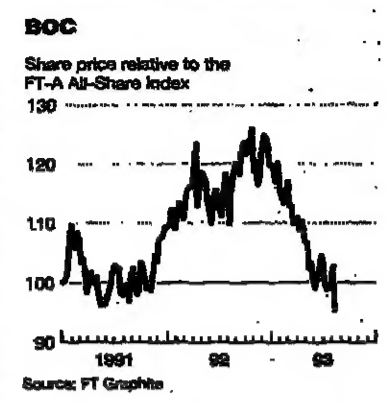
THE LEX COLUMN

Deflated expectations

FT-SE Index: 2971.6 (-14.8)

BOC

Share price relative to the FT-A All-Share Index



Source: FT Graphite

The Bank of England's contention that inflationary pressures remain weak is hardly controversial. Published data show that since sterling left the ERM any increases in prices of imported goods have been more than offset by falls in wage costs. With the labour market weak, sterling stable, a large gap in output below the economy's productive potential, and companies reluctant to try to push up margins, the Bank argues that there is no engine to power renewed inflation.

While that is clearly true in the medium term, it may not be so once the output gap has been closed and the labour market has recovered its poise. Decades of inflationary behaviour may not be so quickly unlearned. All the more so since the fiscal deficit remains troublingly high, and, as the Bank points out, such difficulties have in the past been resolved by eroding the value of the public debt. Small wonder then that the gilts market remains sceptical that there has been a sea change in the UK's inflation performance. Low real yields will have to wait for harder evidence of government commitment to deficit reduction.

Nor do lower short-term rates look imminent. The government's inflation targets look attainable for the next couple of years, but the trend is stable, rather than down. Unless there is a substantial fiscal tightening in the Budget, or the recovery falters, there is little hurry to act. That can hardly encourage an equity market which has whipped itself into a lather over immediate base rate cuts.

General Accident

Since General Accident started to increase UK premium rates ahead of other composite insurers, it has consistently been furthest down the road towards underwriting profitability. Its solvency ratio of 47 per cent is now comfortable, but the company can still not afford to sacrifice underwriting profits in pursuit of market share. If that makes GA a leading indicator of UK insurers' resolve to make a decent return on underwriting, yesterday's interim figures contain a warning for the sector.

Modest second-quarter underwriting profits are encouraging from both personal motor and home insurance business and – were it not for the IRA bombing campaign in the City – from commercial property. Higher premiums and tighter underwriting standards are having the desired effect. But GA can see no room for additional rate rises in its more profitable lines of business. That leaves scope for perhaps another year of rising underwriting profits as the most recent price increases work through. By this time next year, though, competition may already be eroding those gains.

With its business in the US, Canada and Europe still losing money at an underwriting level, there is scope for recovery elsewhere. Like other insurers GA also points to its investment return in addition to the underwriting result to give a measure of total performance. The recent rally in the sector has certainly been driven by expectations of investment gains from rising stock and bond markets. But insurance companies cannot expect to trade at much of a premium to net assets unless they add value to those assets by consistently making profits from insurance.

UK pharmaceuticals

The outcome of pricing negotiations with the UK government should not by itself add to the great de-rating of the pharmaceuticals sector. The UK accounts for only a small proportion of sales for most overseas drugs companies. Even Glaxo, most exposed of the domestic industry, might view the 2.5 per cent annual price cut demanded by government as a moderate result.

The return on capital of 17 to 21 per cent – after allowing for research and development expenditure – under the UK formula is better than that achieved in most other industries. Real returns will look all the more handsome if inflation remains subdued. The question for the stock market, though, is whether the rate of return is an adequate compensation for the degree of risk.

Although the slide in pharmaceutical shares has so far reflected doubts about the returns which can be earned by drugs companies, investment in pharmaceuticals is also becoming more risky. Big buyers of healthcare are no longer prepared to pay high prices for drugs which offer only marginal improvements over cheaper alternatives. The UK government's own blacklist of products is a case in point. Sales growth in future is likely to come only from drugs which are a genuine breakthrough in their field. Whether stock market investors will be prepared to nurse fewer blockbusting compounds through research and development at lower overall rates of return is a open-question.

BOC

The fear that the equity market might be rattled by company profits lagging behind talk of recovery may be coming true. BOC has particular problems in its healthcare business now that its staple anaesthetic Forane has come off patent, and its loss of market share is responsible for the bulk of this year's likely profits fall. However, it now seems that BOC's medical equipment business is also feeling the chill of cuts in healthcare spending ahead of Mrs Hillary Rodham Clinton's reforms.

While it is hardly startling that medical businesses are under pressure, the company's downbeat comments about industrial gases are more worrying. Profits are flat despite sales increases in local currency terms, implying a fall in margins. In part that may be because some long-term contracts with large users are up for renegotiation at lower prices. These take-or-pay contracts with industrial users – such as chemical and steel companies – also mean that BOC is not heavily geared to an upturn in gas usage. At the other end of the scale there is little sign of increased activity by the construction or engineering businesses which are users of compressed cylinder gas. If anything they are still economising by using fewer cylinders to save on rental charges.

Perhaps most disturbing is the fact that the pattern is similar throughout BOC's main markets. UK construction and engineering shares have been driven up to very fancy ratings in the sure and certain expectation of recovery. A little disappointment seems in order.

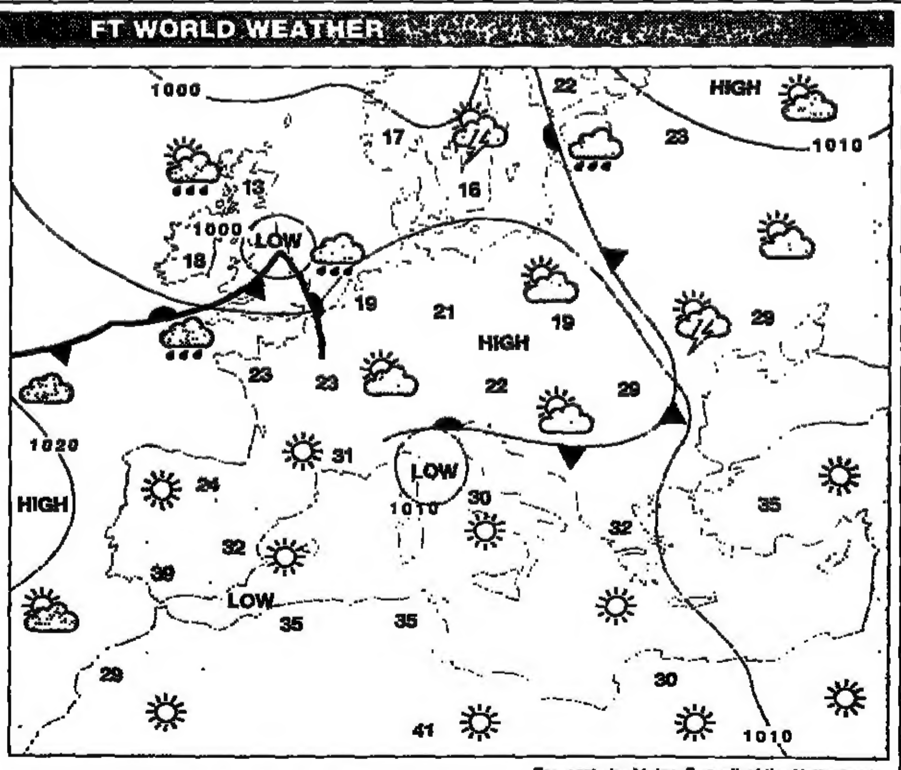
FT WORLD WEATHER

Europe today

Britain will be cloudy with rain during the morning. Scattered showers and sunny spells are expected later. Sweden and Norway will be mostly cloudy with showers along the coasts and a few thundery showers in Sweden. A frontal zone moving over Finland, the Baltic States and Romania will bring periods of rain. Ahead of the front, warm and unstable air will trigger thundery showers near the Black Sea. High pressure over Czechoslovakia will bring widely scattered showers and sunny spells from the Low Countries to Poland and over the Alps to the Balkan Countries. Northern Italy and southern Switzerland should be partly cloudy with showers. The Mediterranean will be sunny and warm.

Five-day forecast

A high pressure area building over northern France will move further east. Conditions will improve in northern Europe. Scattered clouds with sunny intervals will occur, alternating with some showers. North-east Europe will be rather cloudy with frequent showers. The Mediterranean region will stay warm and mostly sunny, although there will be some showers.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	sun	43
Accra	thund	27
Algiers	sun	35
Amsterdam	cloudy	18
Athens	sun	32
B. Aires	sun	14
B.ham	rain	21
Bangkok	thund	34
Barcelona	sun	29
Beijing	fair	31
Belfast	shower	17
Belgrade	sun	28
Berlin	fair	18
Bermuda	fair	31
Bogota	shower	20
Bombay	cloudy	31
Bordeaux	sun	27
Brussels	fair	20
Budapest	sun	23
C.hagen	shower	16
Cairo	sun	37
Cape Town	fair	20
Caracas	cloudy	26
Chicago	fair	29
Cologne	fair	21
D' Salaam	fair	29
Dakar	fair	31
Dallas	sun	35
Darwin	fair	30
Delhi	fair	34
Dubai	sun	41
Dublin	rain	19
Dubrovnik	fair	31
Edinburgh	rain	15
Faro	sun	30
Frankfurt	fair	23
Geneva	fair	25
Glasgow	rain	16
Hamburg	cloudy	18
Helsinki	rain	19
Hong Kong	thund	32
Honolulu	shower	31
Isle of Man	rain	17
Istanbul	sun	31
Jersey	cloudy	17
Karachi	cloudy	32
Kuwait	sun	43
L. Angeles	sun	25
La Paz	thund	16
Las Palmas	sun	28
Lisbon	sun	34
London	shower	21
Lux.bourg	fair	20
Lyon	sun	27
Madeira	fair	27
Madrid	sun	35
Majorca	sun	33
Malta	sun	34
Manchester	rain	19
Manila	shower	28
Melbourne	fair	16
Mexico City	fair	22
Miami	thund	33
Milan	fair	30
Montreal	fair	27
Moscow	fair	23
Munich	fair	21
Nairobi	thund	23
Naples	sun	30
Nassau	thund	32
New York	fair	27
Nice	sun	27
Nicosia	sun	36
Oslo	shower	17
Paris	fair	23
Perth	cloudy	16
Prague	fair	23
Rangoon	cloudy	30
Reykjavik	fair	12
Rio	fair	24
Riyadh	sun	44
Rome	sun	29
S. Frsco	sun	22
Seoul	shower	29
Singapore	cloudy	31
Stockholm	thund	17
Strasbourg	fair	23
Sydney	fair	19
Tel Aviv	sun	32
Tokyo	rain	26
Toronto	shower	26
Tunis	fair	35
Vancouver	fair	21
Venice	sun	28
Vienna	sun	22
Warsaw	fair	17
Washington	shower	29
Wellington	cloudy	11
Winnipeg	fair	28
Zurich	fair	22

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

London's Liffe pulls out of Globex talks

The London International Financial Futures Exchange pulled out of discussions on joining Globex, the after-hours electronic futures trading system, after the Chicago Board of Trade ruled Liffe would not be able to list its successful German bond contracts on the system. Page 12

BA ascends to £108m

British Airways reaffirmed its position as one of the strongest carriers in the world as first quarter figures showed operating profits at £108m ($161m) up from £96m in the first quarter of 1992, despite continuing price wars. Page 12

Happy Accident

General Accident, the Perth, Scotland-based insurer, provided evidence of the strength of recovery in the general insurance sector when it posted its first pre-tax profits since 1989. Page 12

PepsiCo to feed Poland $500m

US soft drinks, restaurants and snack foods group PepsiCo plans to invest about $500m in Poland over the next five years, in a range of businesses. Page 13

Wal-Mart advances 18%

The top-selling retailer in the US, Wal-Mart Stores, reported an 18 per cent increase in after-tax profits during the second quarter of 1993, at $495.9m. Page 13

'Obscene' gesture in HK

In Hong Kong, making money is rarely a dirty deed. But after department store operator Sincere proposed directors remuneration that was 245 per cent of net profit, the Institute of Chartered Secretaries and Administrators in Hong Kong said the move "is beyond bold – it is obscene". Page 13

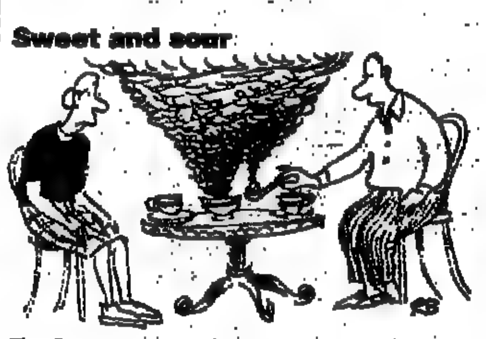
Citibank quits UK life scene

US-based Citibank is selling its Citibank Life Assurance unit to Cannon Lincoln plc, the UK life insurance subsidiary of Lincoln National Corporation based in Indiana. Page 16

Allied Irish up 42%

Allied Irish Banks, the Republic of Ireland's main clearing bank, reported a 42 per cent increase in pre-tax profits to I£138m ($193.7m) for the half year to June 30. Page 17

Sweet and sour



The Colombian sugar industry has given rise to some bitterness among the local population. Before harvesting, the sugar cane is burnt to make the stalks easier for cutters. This produces thick black smoke and ash that rains from the sky affecting people's health. Page 22 18

Chile offers a safer bet

Most traders in Chile believe that the Santiago bolsa, though less spectacular than some other Latin American markets, notably Peru, is likely to remain a fairly safe bet. Back Page

Ferruzzi losses double on revision

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), Italy's second biggest private sector company, has revised its losses for the first five months of this year to more than double the previous L491.6bn (£205m).

The new deficit of L1,165bn follows the investigation of alleged cover-ups of losses by the group's former management, and of bribes to political parties.

The new management, imposed by the group's main bank creditors, said about L645bn of losses had been ascertained only recently. It called in Deloitte and Touche, the international auditors, in June to re-examine the books. Ferfin is staggering under about L31,000bn debt.

The management plans to slash the group's nominal share value to just L5 from L1,000. The proposal, which is likely to be approved by shareholders, follows Italian legal requirements to write down a company's capital once losses exceed a certain proportion.

The plan involves reducing Ferfin's share capital to L205bn, from L1,370bn. It is then proposed that the shares be consolidated on the basis of 200 for one to restore the nominal value. The proposal will not affect the non-voting savings shares.

Trading in the shares of both Ferfin and its Montedison industrial subsidiary was suspended yesterday pending the announcement.

Ferfin's revised losses are believed to take account of two separate events, both previously hidden from shareholders, involving the longstanding existence of what amounts to a parallel set of books.

Most of the additional losses stem from Ferfin's complex commodity trading operations. Leaked testimony from former executives – now co-operating with Milan magistrates investigating political corruption – has suggested that Mr Raul Gardini, the former head of Ferfin who shot himself last month, covered up between $350m and $450m of losses in US commodity futures trading in 1989.

The new audits have resulted in a L245bn write-down in the capital of the group's main trading subsidiary; the discovery of a L84bn "irrecoverable" loan by one of its offshoots; and a L165bn foreign exchange loss by another trading operation.

Together, the new losses are in line with the "shortfall" of between $250m and $270m in Ferfin's accounts to July 1991 alleged by Mr Gardini in a file in his personal computer. The file, which was compiled just before his death, was believed to be for Milan magistrates.

Ferfin's new management has also adjusted the group's results to reflect irregularities arising after Mr Gardini stepped down. For instance, it is not recognising L79.3bn in assumed 1993 royalties from the Erbamont pharmaceuticals subsidiary, sold to Sweden's Procordia group in March.

P&G falls into red after charges

By Nikki Tait in New York

THE COST of a big restructuring programme announced by Procter & Gamble last month, and some other hefty one-off charges, took the US consumer products group heavily into the red in the 12 months to June.

P&G reported an after-tax loss of $656m for its latest financial year. Sales were $30.4bn, up 3.6 per cent on the previous 12 months.

However, the deficit was due solely to P&G's previously announced $1.5bn after-tax reserve, which will fund the cost-cutting moves announced in mid-July, and a further $1bn non-cash charge to cover the new accounting standards on retiree medical benefits and deferred taxes.

Added to a $200m restructuring provision, established last September to cover the disposal of P&G's fruit juice business, one-off charges cut P&G's profits last year by $2.7bn.

Before these charges, P&G said after-tax earnings stood at $2.08bn, an 11 per cent improvement on the $1.87bn in the previous year. Earnings per share, before charges, were $2.91, also up by 11 per cent.

Mr Edwin Artzt, chairman, admitted that the year had been "one of the toughest" for P&G. Like all large branded consumer products companies, Cincinnati-based P&G has been under pressure from the rising tide of own-label products and the squeeze inflicted by retailers on suppliers.

However, Mr Artzt added: "Efforts to improve the value of our brands are paying off".

In the fourth quarter, P&G's after-tax profits – before the charges – increased by just 1 per cent to $341m, while sales rose 3 per cent to $7.36bn. However, Mr Artzt noted that pre-tax operating profits showed a more healthy 9 per cent increase, in line with earlier quarters.

In the US, underlying unit volume rose 1 per cent during the year, but by 6 per cent in the final quarter. The international businesses saw a 10 per cent increase in unit volume during 1992-93, with the strongest growth coming in Latin America, Asia-Pacific, European paper and citrus products, and in some export businesses in the Middle East and Africa.

The stock market was unimpressed, however, and P&G shares fell $1¼ to $46¼.

Dresdner rises in line with German competitors

By Judy Dempsey in Leipzig and Andrew Fisher in Frankfurt

DRESDNER Bank, Germany's second largest commercial bank, yesterday reported a 14 per cent rise in group operating profits to DM936m ($544m) in the first half of this year after a big rise in loan risk provisions.

This performance, from the last of the big three German banks to report interim figures, is in line with the improvements announced by its domestic competitors. Commerzbank's operating result was 16 per cent higher at DM392m, while Deutsche Bank showed a 13 per cent increase to DM2.6bn. Both the Dresdner and Deutsche comparisons were with half of the full 1992 result rather than with the January-June period.

One reason for the banks' stronger performance during the recession is the steep rise in commission income reflecting stronger securities trading. In spite of the weaker economy and high German interest rates, Dresdner said that short and long-term lending had increased.

Operating profits at the Dresdner parent bank rose 12 per cent to DM651m.

Provisions for bad loan risks, which German banks are now releasing in more detail ahead of the implementation of a new EC banking directive, rose 25 per cent to DM758m for the group and by 27 per cent to DM554m for the parent bank.

Business in eastern Germany, where economic progress has fallen short of expectations, accounted for most of Dresdner's risk provisions. But bank officials said that these had been strengthened because of the continuing unsettled state of the domestic economy.

Dresdner's group lending volume rose 4 per cent to DM250bn, with business volume 8 per cent higher at DM359bn. The parent bank's own lending volume increased by nearly 5 per cent to DM146bn, comprising a 5 per cent rise in the short and medium-term sector and one of 3 per cent in long-term corporate business.

Banesto capital raising breaks Spanish records

By Peter Bruce in Madrid

BANESTO, Spain's fourth largest commercial bank in terms of assets, has completed the first part of its plan to boost its capital and reserves, raising Pta94.9bn ($676m) through two equity issues.

This 37 per cent equity increase will raise its Bank of International Settlements (BIS) equity ratio to 11.3 per cent of assets.

With an issue of convertible bonds planned for the autumn, the total amount raised by Banesto will total roughly $1.1bn – the most ever raised by a Spanish financial or commercial institution.

The success of the issue could help counter long-standing criticism of the bank's ability to finance further growth.

Mr Mario Condé, Banesto's president, said yesterday that the Pta94.9bn fund-raising exercise was the third largest capital increase by any bank in the world. It would be the biggest when at least $400m in dollar-denominated convertible bonds was issued in late September.

He said that the two share issues had proved popular with Banesto shareholders. The first Pta52.65bn tranche was oversubscribed by 20 per cent. The second Pta42.25bn tranche had attracted private European and US investors.

The most prominent of these was the Corsair banking fund, launched by JP Morgan earlier this year, which invested $150m, taking its stake to about 6.4 per cent. At least two members of the Corsair fund, the GE pension fund and Northwestern Mutual, a Milwaukee-based insurer, also made individual investments. Mr Condé put in $50m, saying the money was from his personal funds. His stake in the bank nearly 3 per cent. Other Banesto board members invested $20m.

Mario Condé: continue disposals

Following a net profit of more than Pta20bn from the sale earlier this year of its Banco Madrid affiliate to Deutsche Bank, the capital increase removes any lingering doubts about Banesto's ability to finance its growth. Mr Condé said he would continue disposing of Banesto's industrial holdings but, at the moment, prices were not good.

The implementation of the capital increase demonstrated that Banesto's banking business was rapidly improving. In the first tranche of the equity issue, its Spanish branch network raised Pta18.2bn from existing shareholders and Pta19.7bn from more than 37,000 customers, who have become shareholders.

The three Rs replace M&As as merchant banks get busy. **Maggie Urry and Roland Rudd** report

Commercial logic drives hostility into the shade

After three years of twiddling their thumbs, merchant bankers are finding business picking up. Some are even beginning to recruit to their corporate finance departments.

It is the clearest sign yet that the banks believe the revival in corporate finance work sustainable. Those financiers not enjoying their summer holidays claim they are working overtime on deals which will become public in the autumn.

"I'm normally a cautious chap," says one, "but I'm really quite surprised about the level of activity in the last three months. We are very busy at the moment, and not with tiddly floats. Since March or April activity has picked up strongly and the quality is good."

Others refer to the three Rs of corporate finance: restructurings, rights issues and rescues. The year has already seen a high level of flotations and rights issues; restructurings, such as the reorganisation of the Rothmans empire and the demerger of Zeneca from Imperial Chemical Industries; and continued rescue work.

UK privatisations may be falling off after the BT3 sale last month, but there is much to be done for foreign governments – French and Italian for instance – and UK banks have an edge because of the experience of the past 10 years. Hill Samuel was this week appointed to seek private sector finance for the Channel Tunnel rail link, while NM Rothschild is privatising the Dutch post office.

The Lloyd's insurance market's decision to seek corporate capital has also produced work for corporate financiers.

But the pick-up in activity does not presage a return of the large hostile bid, or even a high level of mergers and acquisitions. "In the UK there is quite a lot of activity, but it's not direct M&A," says a Rothschild director. "In the late 1980s half the department would call themselves M&A specialists, but not now. There is a different character to the work. Now there is little takeover activity and none of it hostile."

"Going into the market and buying things is yesterday's game," says Mr Nick Verey, SG Warburg's managing director of investment banking. "The old type of mergers and acquisitions is over." A rival agrees: "Those are a thing of the past," while another says: "There has been a sea change – I'd be surprised if it recovers."

Companies have learnt that hostile bids rarely pay off for the aggressor, which ends up paying a top price without being able to perform "due diligence" investigations.

With the Footsie index reaching all-time highs in the past few days, the stock market had anticipated the economic recovery before companies were ready to expand again. "When you run the slide rule over a company, with the stock market where it is, it doesn't look attractive to pay a premium," one says.

However, there is a marked increase in industrially driven deals, usually agreed. These often result from companies restructuring their businesses, having survived the recession. Many wish to sell non-core activities and can see a better market for assets than even a few months ago, while others want to expand.

There is a marked increase in industrially driven deals, usually agreed and often because companies are restructuring

Lucas Industries' £9m ($13.4m) disposal this week is part of its programme to raise £100m from sales this year. Other deals also illustrate the point: the sale of the Augustus Barnett off-licence chain by Bass to Allied-Lyons and the purchase by Greene King of 44 pubs from Bass.

As for full-scale takeovers, the agreed bid by Greenalls for Devenish, which fought off a hostile bid from Boddington two years ago, shows that commercial logic can bring about a deal that hostility did not.

Some bankers claim such deals are "small beer", compared with some they are pursuing. Agreed deals are seen as low risk, as due diligence can be carried out and nasty surprises avoided. A price can be fixed without the bidder finding itself caught in a public auction.

These deals are often cross-border, as companies find themselves restricted within their domestic markets and keen to become international forces in their industries. The agreed merger between Kingfisher, the UK retail group, and Darty, the French electrical chain, earlier this year is a case in point.

Many banks, such as Lazard Brothers and NM Rothschild, have built up European office networks and forged closer links with partners in North America or Asia.

Similarly, says Mr David Challen, head of corporate finance at Schroders, European cross-border mergers and acquisitions now account for half of that investment bank's public activities – a very different picture from five years ago.

Two thirds of Warburg's corporate finance work is now generated overseas – privatisations and secondary shares issues on continental Europe and equity and debt issues in the US.

If the economy continues to revive, some expect M&A activity to increase next year. With interest rates low and the equity market high, finance for deals should be forthcoming.

Veba profits fall 12% to DM782m at six months

By Andrew Fisher in Frankfurt

VEBA, the German energy, chemicals and trading group, reported a 12 per cent drop in pre-tax profit for the first half of 1993 to DM782m ($454.60m).

The company blamed the decline mainly on the difficult market in plastics and rubber, reflecting in particular the troubles of the motor industry.

The effect of this was aggravated by worldwide over-capacity, tough price competition and a rise in low-priced imports from eastern Europe.

Earnings in the oil division were also down. The upstream business continued satisfactorily, but the downstream sector again made a loss which was mainly attributable to poorer petrochemical results.

Petroleum distribution, weaker than expected, made a slight loss, while earnings in trading, transport and services held level, despite the weaker economic situation.

Group net income was 13 per cent lower at DM316m. Veba said earnings per share would show a more gentle decline as 1992 interim result included extraordinary gains.

It said turnover for the period showed virtually no change at DM33.2bn. Growth in electricity, oil and services was offset by declines in chemicals, trading and transport.

The group expected no improvement in the profits and economic trend for the second half of the year. It intended to cut costs further and increase oil and chemicals productivity to boost competitiveness. The resulting charges on profits would be offset by the profit on the sale of its industrial gas business.

Veba, whose capital spending was 11 per cent higher in the first six months at DM2bn, said it was optimistic that its cost-cutting measures would bear fruit in 1994.

Last year, Veba held its dividend at DM12 a share, despite a 15 per cent slide in net profits to DM1.04bn.

UK insurer returns to black

By Richard Lapper in London

GENERAL ACCIDENT, the UK insurer, demonstrated the strength of recovery in the general insurance sector when it unveiled its first pre-tax profit since 1989.

The pre-tax figure of £126.2m ($188.5m) for the first six months of the year, represented an improvement of £141.6m over the same period of 1992. The result was ahead of expectations, but the markets were disappointed at the company's decision to leave its interim dividend unchanged at 9.7p, marking the share down 9p to close at 653p.

Mr Nelson Robertson, chief executive, applauded "the achievement of an underwriting profit in the UK" and expects the improvement to continue for the rest of the year.

The company has said that the improvement reflected increases in premiums, more selective underwriting, reductions in costs, and a fall in claims, especially those relating to subsidence. Premium rates for home and motor insurance have risen by an average of 40 per cent in the last two years.

Underwriting profits in the UK reached £3.5m for the half-year compared to a deficit of £104.8m in the same period of 1992. The improvement was achieved in spite of losses of £13m from the Perth floods in January and a payout (net of reinsurance) of £10m following the Bishopsgate bomb in April.

The turnaround helped improve overall underwriting losses to £129m compared with a loss of £235.2m in 1992. Net investment income (investment income less interest on loans) rose by 9 per cent to £238.8m (£215.1m).

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Fokker in the red but sees first signs of recovery

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft maker majority-owned by Deutsche Aerospace (Dasa) of Germany, reported a net loss of Fl 127m ($65m) for the first half of 1993 and reaffirmed earlier forecasts of a full-year loss of around Fl 150m.

The first-half loss, which compares with a small profit of Fl 5.9m a year earlier, includes a one-off charge of Fl 90m for cutting staff in line with a reduction in aircraft output.

Turnover fell by 8 per cent to Fl 1.73bn and operating profit before interest expenses to Fl 55.1m from Fl 62.8m.

The company said that recent orders received for its 100-seat Fokker 100 were a first sign that parts of the depressed aircraft market was starting to recover.

Liffe quits talks on joining Globex

By Tracy Corrigan in London

THE London International Financial Futures Exchange, Europe's largest derivatives exchange, has pulled out of discussions on joining Globex, the after-hours electronic futures trading system, after the Chicago Board of Trade ruled that Liffe would not be able to list its German bond contracts on the system.

The decision to suspend the talks was described as "mutually agreed" by both parties, but the discussions were derailed two weeks ago, when the CBOT changed its policy on the listing of bund contracts.

"This does not bode well for Globex," said one market participant. "It shows that the exchanges behind Globex are putting their own interests first."

A year after the launch of Globex, France's Matif is the only futures exchange to have signed up to list its products on Globex, which was jointly developed by the CBOT, the Chicago Mercantile Exchange, and Reuters, at an estimated cost of $80m. The bulk of the 200,000 contracts traded so far this month were Matif products.

Liffe, which reopened discussions with Globex a year ago, had already been given a list of the products which it would be allowed to trade. These included its bund future contracts, with an average daily volume of 78,600 in July.

No senior officials were available at the CBOT to comment on the change of heart. However, the CBOT gained approval from its regulator, the Commodity Futures Trading Commission to trade bund and gilt futures several years ago.

BA improves in spite of price wars

By Daniel Green in London

BRITISH Airways reaffirmed its position as one of the strongest carriers in the world yesterday as first-quarter figures showed operating profits at £108m ($160.92m), up from £96m in the first quarter of 1992. The advance came in spite of continuing price wars in the industry.

British Airways said its passenger yield – a measure that reflects poor sales or heavy discounting – rose in the three months to June 30 by 2.3 per cent, to 6.17p per fare per kilometre compared with a year ago. Cargo rose 5.9 per cent to 15.65p per tonne per kilometre.

At the pre-tax level, however, profits were depressed by a jump in borrowings which pushed BA's interest charge up from £8m to £42m. Pre-tax profits fell 30.8 per cent to £63m.

The borrowings were needed for a stake in US carrier USAir, and for a second interim dividend which would normally have been paid as a final dividend in the second quarter.

After a £442m rights issue in May, to help finance the USAir stake, borrowings were £2.14bn, a fall of £312m on a year earlier. Earnings per share fell from 8.1p to 6.3p on a fully-diluted basis.

BA continued to increase capacity faster than demand, and passenger load factor, a measure of how full each aircraft is, fell 2.6 percentage points to 69 per cent.

Sir Colin Marshall, chairman, said that business remained "under pressure from too much capacity in the industry, offset by further exchange rate benefits".

The fall in the value of sterling against the dollar had brought a net benefit to the company of about £20m, said Mr Derek Stevens, BA's chief financial officer. "This full year we expect to make a gain of £70m or £80m as as result of currency changes."

BA continued to cut its payroll with the number of employees falling 1.1 per cent to 49,481. It increased the number of aircraft in service by eight to 238.

Mr Peter Bergius, transport analyst at London stockbroker Kleinwort Benson, said the figures showed BA was continuing its "stringent cost control". He said the recovery in passenger yield should continue in the second quarter.

BA's shares rose 14½p to 350p.

Austrian Airlines delays alliance decision

By Ian Rodger in Vienna

AUSTRIAN Airlines has postponed a decision on future business alliances until "early autumn" following receipt of a specific proposal for co-operation from Lufthansa, the German national airline.

Austrian was expected to make its decision next week on whether to join the Alcazar project, which would link it with Swissair, SAS Scandinavian Airline System and KLM Royal Dutch Airlines, or pursue co-operation with Lufthansa or Air France.

Lufthansa confirmed at the weekend that it had made a precise co-operation proposal under which Austrian would be responsible for most flights between Germany and Austria.

Austrian said only that it was in talks with Lufthansa, Air France and with the Alcazar companies. Its board would take a position on these proposals early in the autumn.

Analysts in Vienna said there were divisions within the Austrian board and among the airline's workforce on which alliance to accept, but Alcazar still appeared the better option.

"Austrian's main problem is transatlantic business, and Lufthansa would not help because it has no US partner," Ms Claudia Schwarz-Vartok, an analyst at Die Erste Invest-Consult in Vienna, said.

Also, if Austrian joined Lufthansa, it would have to unwind the very substantial co-operation arrangements it has with Swissair already on maintenance, pilot training, flight numbering, sales offices and a frequent flyer programme.

● Flughafen Wien, the partially privatised operator of Vienna's international airport, said the Austrian government was seeking to reduce its stake in the group from 36.5 per cent to 25 per cent.

An initial offer would be made to the province of Lower Austria and the city of Vienna, each of which holds 18.25 per cent. If they were not interested, the shares would be offered to institutional investors by Bank Austria and Warburg Securities.

Shares in Flughafen Wien were floated in Austrian and international stock markets in June 1992.

First-half sales down by 11% at Peugeot-Citröen

By John Ridding in Paris

PEUGEOT-Citröen, the French car manufacturer, announced a 11.4 per cent fall in sales in the first half of the year, reflecting the depressed state of the European car market.

The company achieved sales of FFr73.05bn ($12.40bn), compared with FFr82.4bn in the same period in 1992.

Peugeot-Citröen said the results reflected a continued decline in the European car market, which saw sales of new vehicles fall by 17.4 per cent in the first half.

Industry analysts see little prospect of rapid recovery in the European car market, particularly in France and Germany, and forecast that French car sales would fall by about 15 per cent this year.

The decline in sales at Peugeot-Citröen was aggravated by foreign exchange movements, particularly the devaluations of the British pound and the Italian lira. The company said that these effects accounted for about 4 per cent of the decline in sales during the first half.

Peugeot-Citröen has responded to the depressed European car market by extending short-time production at its factories at Mulhouse and Sochaux in eastern France. Production at Mulhouse will stop for four days in September, taking the total number of days lost to 33 this year. The Sochaux factories are closing for two days this month and three days in September, taking the number of days lost to 34.

The company said it enjoyed strong sales in the British market and consolidated its position in Germany. As a result, it maintained its share of the European car market at 11.9 per cent in the first half.

Wal-Mart profit advances 18% in second quarter

By Nikki Tait in New York

WAL-MART Stores, the top-selling retailer in the US, yesterday reported an 18 per cent increase in after-tax profits during the second quarter of 1993, at $495.9m.

Earnings per share in the three months to end-July rose from 18 to 22 cents, while sales were up by 25 per cent at $16.2bn.

The second-quarter figures brought Wal-Mart's profits for the first half of the financial year to $946.5m after tax, compared with $807.4m at the same stage in 1992.

Sales for the most recent six months stand at $30.2bn, against $24.7bn in the first half of the previous year.

Yesterday, Mr David Glass, chief executive, said the company was "on track to achieve sales and earnings objectives for the balance of the year". However, he also conceded the year so far had been "characterised by disinflation and consumer caution".

On Wall Street, the news was greeted without enthusiasm, and Wal-Mart shares eased $⅜ to $25⅞ – near the 52-week low – before the close.

The Arkansas-based company – a high-flier in the retail sector for many years – has faced questions recently over the growth potential for Sam's, its warehouse club chain, and the fate of its new generation of giant "combo" stores, which combine food retailing with general merchandise.

In the second quarter, Wal-Mart said it had opened 21 new Wal-Mart stores and 33 Sam's Clubs (including 14 Pace club stores which were acquired from Kmart, a rival discount retailer).

PepsiCo plans $500m investment in Poland

By Nikki Tait

PEPSICO, the US soft drinks, restaurants and snack foods group, plans to invest about $500m in Poland over the next five years.

The money – which PepsiCo claims is one of the largest single investment programmes by a consumer products company in Poland – will go into a range of businesses.

On the restaurant side, it intends to open Pizza Hut, Kentucky Fried Chicken, and "3-in-1" outlets in Warsaw and other cities. The "3-in-1" outlets combine the three PepsiCo chains – KFC, Pizza Hut and Taco Bell – under one roof.

The US group also plans to open a new salty snack plant at Grodzisk; to broaden its local beverage distribution; and to upgrade and expand bottling facilities.

The company also said it planned to raise its stake in Wedel, the Polish chocolate, biscuit and confectionery products company, to 70 per cent by 1994. The US group acquired a 40 per cent interest in Wedel in 1991.

It added that it expected sales of PepsiCo-related businesses in Poland to top $100m this year, and to reach more than $600m by the end of the decade.

Sincere payments re-define executive mores

Simon Davies takes a look at boardroom remuneration in Hong Kong business

EXPLOITATION of minority shareholders is so much part of the corporate culture in Hong Kong, that the boundaries of the acceptable have become totally muddied. Department store operator Sincere, however, may have aided definition when it proposed that directors' remuneration be 245 per cent of net profit.

At an annual general meeting last week, Sincere's shareholders approved directors' payments of HK$115m (US$14.8m) for the year to February 1993, compared with net profit before extraordinary items of HK$47m.

By comparison, one of Hong Kong's largest companies, Hutchison Whampoa, paid out directors' remuneration of HK$67m last year, against net profit of HK$3.05bn.

The rarely outspoken Institute of Chartered Secretaries and Administrators in Hong Kong is to publish an editorial in its magazine claiming the move by Sincere's directors "is beyond bold – it is obscene". In Hong Kong, making money is rarely a dirty phrase.

Sincere is typical of Hong Kong's smaller listed groups; the board of directors is tightly controlled by one family, the Mas, who make up seven of the company's eight directors; the eighth is Mr Selwyn Mar, whose family has long been connected with the owners.

Sincere is also representative of the Hong Kong inclination towards trading property assets, and this has proven a lucrative combination.

'It is beyond bold – it is obscene.' In Hong Kong making money is rarely a dirty word

In April 1992, the company sold its headquarters for HK$1.18bn and then paid out a special bonus dividend of 60 cents a share. This represented a pay-out of more than HK$160m, allowing the Ma family to reap some rewards from the transaction.

However, it has only come to light now that the executive directors paid themselves an additional HK$67m bonus for their role in this transaction.

It still remains unclear how they have justified paying themselves what amounts to a 17 per cent transaction fee. They had already received as ordinary remuneration the equivalent of the company's entire net profit before extraordinary items.

This is no isolated incident. Hong Kong's minority shareholders rarely challenge directors, and it has become accepted that certain groups carry exceptional risk/reward profiles.

Evergo Holdings, run by the Lau Brothers, instigated one of the more notorious payment schemes when its four family directors increased their remuneration by 32 per cent to HK$60.8m in 1990, a year in which the company posted a net loss of HK$13.4m.

Although the package was approved by shareholders, the Laus eventually agreed to reimburse HK$15m of their pay through a bonus dividend, in response to the subsequent public uproar.

The UK's Cadbury report addresses the issue of directors' reimbursement in detail, but since most Hong Kong companies have yet to take up the primary recommendation of introducing a broad base of independent directors, there seems little hope of short-term change.

'Whatever Cadbury means to UK institutions, in Hong Kong it is still just a chocolate bar'

However, Hong Kong's regulators are keen to demonstrate the stock market is evolving. In the past year, the government has appointed inspectors to examine accusations of alleged corporate misfeasance by two large groups, Allied and Tomson Pacific.

This has coincided with a tightening of the rules on disclosure, and an increasing willingness on the part of the stock exchange to investigate suspected abuses of minority shareholders and extreme price movements in shares. However, few investigations have borne fruit.

Mr Herbert Hui, head of the stock exchange's listing division, said the exchange was "looking into" the issue of Sincere's remuneration policy, and the company had been put under pressure to release a more detailed explanation to shareholders.

One irony in the furore over Sincere is that when Mr Selwyn Mar took on the job of managing director in 1989, he allowed himself only a nominal salary of HK$1 per year, and said he was going to shake up the 90-year-old department store group.

As Mr Archie Hart, research director of Crosby Securities, said: "Whatever Cadbury means to UK institutions, in Hong Kong it is still just a chocolate bar."

The Limited slides despite rise in sales

By Nikki Tait

THE WOES at The Limited, one of the biggest clothing retailers in the US, continued yesterday when it unveiled a 15 per cent fall in second-quarter profits, to $88.2m after tax.

Sales increased by 13 per cent to $1.69bn, while earnings per share slipped to 19 cents from 22 cents.

Mr Leslie Wexner, chairman, said he was "very disappointed" with the results and did not "accept external causes as an excuse for our sub-standard performance".

He admitted the company had "been promotional" across all its businesses to ensure stocks were in line for the autumn season, but added that he believed this was the "correct action".

Throughout the 1980s, The Limited – which takes in the likes of Express, Lane Bryant, Victoria's Secret and the Bath and Body Works chains – was hailed as one of the retailing industry's innovators, but it has struggled recently.

Some analysts claim the group seemed to lose direction, and like all retailers it has faced acute price competition.

At Dillard Department Stores, the Arkansas-based group, after-tax profits rose to $39.2m from $36.5m in the second quarter, with sales increasing to $1.10bn from $974.9m.

The company said same-store sales over the second quarter rose by 4 per cent, and earnings per share rose to 35 cents from 33 cents.

CSR leads sugar export joint venture

By Bruce Jacques in Sydney

CSR, the Australian resources group, has joined with Australia's Mackay Refined Sugars, and ED & F Man, the UK sugar trading company, in a venture aimed at increasing exports of refined sugar.

The new company will assemble CSR's established Australian sugar refining assets, a new A$80m (US$54.4m) refinery being built by Mackay in Queensland, a new dedicated vessel, and Man's marketing expertise. It will be controlled 50 per cent by CSR and 25 per cent each by Mackay and Man.

Mr Geoff Kells, CSR managing director, said the venture would seek new markets for Australia's sugar exports. "This new joint venture means that for the first time Australia will become an exporter of value-added white refined sugar," Mr Kells said.

"At present, nearly all of the sugar which Australia exports is raw. World trade in raw sugar has been relatively static in recent years. However, world trade in refined sugar has expanded and demand is expected to continue to increase."

Denim market helps lift Dominion Textile

By Robert Gibbens in Montreal

DOMINION TEXTILE, the Canadian-based international integrated textile group, continued its recovery in the fourth quarter, mainly due to strengths in the denim market.

Operating profit was C$38.1m (US$29.3m), up 13 per cent, on sales of C$361m, a rise of 4.9 per cent on a continuing basis.

Final net profit for the year ended June 30, after special items, was C$30.3m, or 38 cents, against a loss of C$74.8m, or C$2.31, a year earlier, on sales of C$1.33bn, compared with C$1.37bn. The 1992 loss included a C$65m special charge.

"Fiscal 1993 was our best performance in five years," said Mr Charles Hantho, chairman. "And we see the improvement continuing into fiscal 1994."

Domtex has restructured heavily to meet international competition, and is a leading world denim and yarn producer. Most of its plants are in the US and Canada, with others in Europe, north Africa and south-east Asia.

Barlow Rand treads break-up path

Philip Gawith reports on the South African industrial group's plan

THE writing had long been on the wall for Barlow Rand, South Africa's largest industrial group, which announced this week it will be breaking into four separate companies.

Spurred by years of flat growth, under-performance of the share, and highly publicised bad investments, especially in the mining area, analysts had been asking some hard questions about Barlows' performance.

To that extent, this week's announcement, which follows indications in June the group may be going along the break-up path, was no surprise.

Barlows will be split into four main divisions: Barlow Rand, with activities ranging from domestic appliances to capital equipment; CG Smith, focusing on consumer spending; Reunert, on electronics and engineering; and Rand Mines/Rand Mines Properties, with Randcoal the main asset.

The share prices of Barlow Rand, CG Smith and Reunert have hardly moved since the announcement, suggesting the full import of the deal has yet to be properly digested.

The outlook for the various groups is difficult to predict as the deal will only be finalised in September, to take effect in February, and only then will the new managements be able to start discussing their plans. All will start with seasoned managements and little debt.

Much also depends on the strength and shape of an economic upturn of which there are now signs. CG Smith, with such powerful companies as Tiger Oats, Nampak and Adcock Ingram, and Reunert look like doing well while the rest of Barlow Rand will lag.

This might, however, be proved wrong, especially if a new government spends heavily on a national reconstruction programme.

What came as a surprise in the whole process was the speed at which executives acted. Just 10 days before the June announcement, senior executives were strenuously contesting that unbundling was the correct path to take.

The speed with which Barlows embraced unbundling did not only surprise observers. When a three-man committee (comprising managing director Derek Cooper, Robbie Williams of Tiger Oats and non-executive director Dick Goss) recommended to the board in June that Barlows should unbundle, it came as news to many, including some of the executive directors.

The driving force behind the process was the chairman, Mr Warren Clewlow. Although the investment community is lukewarm about Mr Clewlow, he is the man they must thank for promoting a course most of them favour.

What prompted his decision? As one observer notes wryly: "The road to Damascus runs all over the place."

Mr Clewlow said he started thinking about unbundling about a year ago when he relinquished his chief executive role to Mr Derek Cooper, who became managing director in January 1992.

The main concern was how to arrest the flat earnings performance of the past four years (attributable profit fell to R849m ($252.6m) in 1992 from R1bn in 1989). Other issues were how to take the group into the "new South Africa," and how to expand it beyond South Africa's borders.

Warren Clewlow: next stage is to broaden group activities

Mr Clewlow contends the existing structure – the product of diversification, especially in the 1980s – could not feasibly have been extended further.

"There was no point in taking the group even further and further like this (horizontal diversification)." He believes the next stage is to deepen – rather than broaden – group activities.

Amid reports that many directors are unhappy about the break-up, Mr Clewlow does not pretend his proposals met with universal acclaim. He does claim that "most" of the board supported the proposal "strongly," but admits that "a lot" said they didn't like it, but were unable to suggest better ways of facing the future.

Mr Clewlow argues that "in the past 20 years the way the group has grown was right," but it is by no means a universal view.

One school of thought holds that Barlow Rand, in its current form, was conceptually flawed. That view maintains it was not possible for it to be committed both to developing brands, as the consumer activities require, and to a cost-cutting culture in a commodity style business, with the aim of being the lowest cost producer.

The group has also suffered some grievous body blows in the recent past. The assembled calamities on the mining side did grievous damage to its prestige and credibility.

The catastrophic venture into platinum, through Barmines; the lossmaking gold mines; the closures of the Vansa vanadium plant and the Barbrook gold mine; the sale of Middelburg Steel – none of these redounds to Barlows' credit.

Soon after acquiring control in 1971 of Rand Mines, the then chairman, "Punch" Barlow, wrote: "Our acquisition of Rand Mines brought us many more problems than we anticipated." He didn't know the half of it.

Tandy disappoints with fall in income

By Karen Zagor in New York

TANDY Corporation, one of the largest US consumer electronics retailers and manufacturers, yesterday disappointed Wall Street by reporting second-quarter income from continuing operations of $31.7m, or 38 cents a share.

A year earlier, it recorded earnings from continuing operations of $42.7m, or 52 cents a share. Sales and revenues rose to $843.1m in the 1993 quarter from $801.9m last year.

Most analysts had expected the company to post profits of 43 cents a share in the latest quarter, although some estimates were as low as 35 cents. At mid-session in New York, shares in Tandy had fallen $1½ to $28½.

Tandy's results were muddied in both years by one-time items. In the 1993 quarter, it suffered a loss from discontinued operations of $109.1m. A year earlier, one-time gains of $19m from the sale of a Japanese subsidiary were partly offset by a loss from discontinued operations of $14.6m.

Including these items, Tandy posted a second-quarter net loss of $77.3m, or $1.01, compared with net income of $28.1m, or 34 cents a year earlier.

For the first half, income from continuing operations slipped to $72.5m, or 88 cents, from $82m, or 97 cents the previous year.

Bundesbank's stance disappoints Europe

By Sara Webb in London and Patrick Harverson in New York

THE BUNDESBANK'S repo announcement yesterday provided the main focus of attention for the European government bond markets, as dealers and investors waited for signs that the German central bank would allow an easing.

In the event, the Bundesbank left its 14-day repo rate at 6.80 per cent, unchanged on the previous week and only 5 basis points above the Bundesbank's discount rate which usually acts as the floor for money market rates.

GOVERNMENT BONDS

While expectations of a cut had not been particularly strong before the repo, there was clearly disappointment that the Bundesbank failed to ease.

"The Bundesbank is keeping its cards close to its chest, and this move has dampened down the [discount] rate cut speculation," said one dealer.

The Liffe bund futures contract, which opened at 97.10, slipped back to a low of 97.03 on the repo news but later moved up to reach a high of 97.36 in average volume.

Mr Philip Tyson, European economist at Yamaichi International, pointed out the Bundesbank's tough stance on the interest rate front "bodes well for the inflation outlook and helps the long end of the market".

■ THE RALLY in longer-dated US Treasury prices continued yesterday morning, pushing yields further into record low territory as dealers and investors prepared for the afternoon note auction.

By midday, the benchmark 30-year government bond was up ⅛ at 108¾, yielding 6.455 per cent, another new record low. At the short end of the market, the two-year note was down $\frac{1}{32}$ at 100$\frac{4}{16}$, to yield 4.066 per cent.

Although trading throughout the morning was relatively subdued, prices sustained their upward momentum at the long end.

Dealers said there was nothing particularly new behind the long end's advance, which was put down to the follow-through from overnight buying in Japan, and to pre-auction jockeying.

In the afternoon, the Treasury was due to sell $16.5bn in three-year notes, the first part of its latest refunding round.

■ THE Banque de France left its overnight rate unchanged at 9.75 per cent, disappointing those who believe the rate could comfortably be lowered at any time.

Long-dated French government bonds ended firmer on the day, and the Matif September bond futures contract ended floor trading at 122.28, up 0.36.

■ MEDIUM and long-dated UK government bonds gained over a quarter of a point as foreign investors continued to buy the gilt market, inspired by the favourable inflation outlook.

In the futures market, the September gilt futures contract broke through the 112 level to end at 112.01, up from 111.15 at the previous day's close.

The market is waiting for the release tomorrow of the July unemployment figures and June average earnings and industrial production data.

■ THE JAPANESE government bond market ended firmer, supported by the strength of the yen against the dollar and hopes that the Bank of Japan will ease monetary policy over the next few months.

The September futures contract opened at 111.67 and reached a high of 111.78 before ending at 111.70.

FT FIXED INTEREST INDICES

	Aug 10	Aug 9	Aug 6	Aug 5	Aug 4	Year ago	High *	Low *
Govt Secs (UK)	101.05	100.83	100.39	99.97	99.80	88.21	101.05	93.28
Fixed Interest	121.63	121.44	121.18	120.32	120.03	104.40	121.63	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 121.63 (10/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 9	Aug 6	Aug 5	Aug 4	Aug 3
Gilt Edged Bargains	123.7	139.6	141.0	125.0	185.0
5-Day average	142.9	142.9	142.5	138.2	142.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.3900	+0.398	6.80	6.91	7.13
BELGIUM		9.000	03/03	113.0000	-0.120	7.09	7.05	7.07
CANADA *		7.500	12/03	104.1450	+0.550	6.93	7.10	7.14
DENMARK		8.000	05/03	108.5000	-0.225	6.78	6.82	7.06
FRANCE	BTAN	8.000	05/98	109.2211	+0.298	5.71	5.70	6.23
	OAT	8.500	04/03	114.7400	+0.310	6.40	6.43	6.62
GERMANY		6.750	04/03	102.7200	+0.200	6.36	6.45	6.55
ITALY		11.500	03/03	108.4550	+0.165	10.35†	10.49	11.07
JAPAN	No 119	4.800	06/99	104.7195	+0.048	3.82	3.81	4.03
	No 145	5.500	03/02	108.7022	+0.032	4.13	4.15	4.30
NETHERLANDS		7.000	02/03	105.7000	+0.180	6.18	6.23	6.42
SPAIN		10.300	06/02	104.0199	+0.058	9.59	9.69	10.26
UK GILTS		7.250	03/98	103-14	+2/32	6.36	6.44	6.68
		8.000	06/03	106-26	+10/32	7.02	7.22	7.49
		9.000	10/08	113-28	+11/32	7.46	7.66	7.92
US TREASURY *		6.250	02/03	103-10	+4/32	5.79	5.80	5.73
		7.125	02/23	108-29	+15/32	6.45	6.51	6.63
ECU (French Govt)		8.000	04/03	106.9300	+0.200	6.99	7.23	7.17

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Strong demand for asset-backed FRNs

By Antonia Sharpe

THE international bond market was enlivened yesterday by the launch of the first securitisation of consumer loans in the sterling sector.

Demand from domestic and foreign investors for the £190m offering of asset-backed floating-rate notes, issued by First National Finance Corporation, was such that the entire deal was placed by late afternoon, according to the underwriter, Baring Brothers.

INTERNATIONAL BONDS

Mr Tim Ingram, group finance director of First National Finance Corporation, said the company planned at least two public securitisations a year, the purpose of which would be to reduce bank debt.

The issue was made up of £170m of senior Triple A notes and supported by a £20m tranche of mezzanine subordinated notes. The notes are backed by 80,000 unsecured consumer loans, advanced for home improvements, and are expected to have an average life of just under four years.

Barings said the notes offered investors a return of 55 basis points over the three-month Sterling London Inter Bank Offered Rate (Libor). The notes were priced at a slight discount to par and were offered at par when they were freed to trade in the late afternoon.

Also in the sterling sector, English & Scottish Investors raised £25m through the issue of debenture stock due 2023.

The stock's gross redemption yield was fixed at 75 basis points over the semi-annual yield of the UK Treasury's 8¾ per cent stock due 2017, which stood at 8.282 per cent yesterday.

Mr John Cameron, director at the underwriters, Kleinwort Benson, said that the stock's coupon of 8¼ per cent represented the lowest borrowing cost for an investment trust since the 1960s.

Elsewhere, Commerzbank raised DM500m through an issue of five-year Eurobonds with a coupon of 6 per cent. An official said the break-even price for underwriters was 99.20 and that the bonds were being offered at 99.35 in the afternoon. He added that the bonds were being placed in Switzerland, the Benelux countries and through the bank's domestic retail network.

Syndicate managers said that the recent volatility in the European exchange rate mechanism and hopes of a cut in German interest rates had increased the attraction of the D-Mark sector.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Commerzbank O'seas Finance	500	6	101.2	Sep.1998	2	-	Commerzbank
STERLING							
First 2, senior notes(a)‡	170	(a)	99.83R	Jul.2005	0.35R	-	Baring Brothers & Co.
AUSTRALIAN DOLLARS							
Primary Ind.Bank of Australia	50	7	101.25	Sep.1998	2	-	Hambros Bank
DANISH KRONER							
Finance for Danish Industry	300	6.625	100.365R	Sep.1998	0.26R	-	Chemical Investment Bank
SWISS FRANCS							
Kanemoto Co.(b)*φ	50	0.875	100	Aug 1997	-	-	Yamaichi Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. φWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.5% until July 1998 and + 1½ thereafter. Callable in July 1998 and annually thereafter at par. Average life: 3.97 years. Mezzanine notes of £20m were also issued with undisclosed terms. b) Fixing: 18/8/93.

HK futures exchange to repay 1987 crash loan

By Simon Davies in Hong Kong

THE HONG Kong Futures market will on Friday repay the special HK$1.93bn (US$249m) 'lifeboat' loan which rescued it from bankruptcy after the October 1987 stock market crash.

Since the crash, the government has imposed a 0.3 per cent levy on all stock exchange transactions, and a HK$30 levy (subsequently reduced to HK$5) on all Hang Seng Index futures contracts, to help repay the loan.

These special levies will be suspended after the close of trading on Friday.

The Hang Seng Index futures contract had been the second most active in the world in 1987, but after the four-day closure of the stock market from October 19, members of the Futures Exchange defaulted on HK$1.8bn worth of obligations.

It is only in the past 12 months that the futures market has seen a recovery in turnover, and the suspension of the levy is expected to encourage greater liquidity.

Mr Michael Cartland, secretary for financial services, said: "The suspension of the special levy clears up the last outstanding issue left over from the 1987 market crash, which can finally be regarded as a matter of history."

China issues Yankee bonds

CHINA has for the first time issued bonds in the US, according to the official Xinhua News Agency, AP-DJ reports from Beijing.

China International Trust and Investment Corp (Citic), a leading Chinese borrowing institution, issued $250m worth of non-callable, 10-year Yankee bonds on July 28. The bonds sold at $99.706 and have a yield of 6.916 per cent, 1 percentage point more than the US Treasury's 10-year note.

Citic also plans to issue Y30bn in bonds later this month in Luxembourg.

Slow ahead for privatisation of Greek groups

By Kerin Hope in Athens

GREEK privatisation, beset with legal obstacles, political opposition and union resistance, is making painfully slow progress.

The diversity of state-controlled assets for sale in 1990 created problems for the government in setting priorities for disposal. The 200 or so companies on offer amounted to a cross-section of the economy, ranging from small textile and white goods producers to major concerns like shipyards, banks and cement makers.

To underline the official commitment to transparency, the government selected prestigious international banks to advise on disposals, but often with considerable delay.

Credit Suisse First Boston has done best, advising on the sale of a 35 per cent strategic stake in OTE, the state telecommunications company, and also acting as joint global co-ordinator, with J. Henry Schroder Wagg, for the flotation of another 14 per cent of the company on the Athens stock exchange.

CSFB is also advising the government on the sale of two state-owned oil refineries and the National Bank of Greece on disposing of several luxury resort hotels.

NM Rothschild, the government's overall adviser on privatisation, was given the job of co-lead manager for the international tranche of the telecommunications group IPO.

However, the foreign advisers failed to persuade the government to set clear regulations for the privatisation process. As a result, disposals were at first carried out piecemeal.

It was not until Mr Stefanos Manos, a keen advocate of unbundling the state, took over both the economy ministry and the privatisation portfolio that the pace of disposals picked up.

To date, about 70 companies have been unloaded, raising Dr200bn ($850m), of which Dr124bn came from the sale of Heracles General Cement to Calcestruzzi, a subsidiary of Italy's Ferruzzi group. This year's budget target for privatisation revenues is Dr330bn, to be covered by the sale of OTE and the two refineries.

While most sales so far have been direct, the Athens stock exchange is becoming a vehicle for disposals. The government recently sold a 37 per cent stake in Hellenic Sugar, the state sugar producer, for Dr7.1bn. Two more state banks will be privatised through the bourse this year, following the sale by public tender of Bank of Athens to Korea's Hanwha group for Dr6.2bn.

However, plans to sell a 49 per cent stake in Olympic Airways, the state carrier, are on hold while the airline is being restructured.

Moreover, both major sales in 1992 have run into problems that will affect future disposals. Heracles will probably be put up for sale again later this year because of Ferruzzi's political and financial difficulties.

At Eleusis Shipyards, sold by Commercial Bank for $12m to N.J. Peratikos, a London-based Greek shipping group, labour problems, left unresolved in the interests of bringing off the sale, have intensified since the new owners took over. This has proved a deterrent to other leading Greek shipowners being courted by the government to take over Hellenic Shipyards, the state-owned yard.

Even the OTE sale is developing into a cliffhanger, with the government being forced to delay the passage of enabling legislation, which would transfer management to the strategic investor, because of opposition from a faction in the ruling conservative party.

However, if either the sale or flotation, where the international tranche amounts to 4 per cent, fall victim to additional delay, bidders may turn to other international telecommunications offerings, dealing a heavy blow to Greek credibility in financial markets.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9¼ 94	200	104⅝	105⅛	-⅛	4.18
Alberta Province 9⅛ 95	600	109¼	110⅛		4.62
Austria 8½ 00	400	114⅜	114⅝	+⅛	5.76
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
Genfinance Lux 9¼ 99 LFr	1000	107¼		-1⅛	7.49
World Bank 8 96 LFr	1000	101	102	-1	7.55
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	13	8
Other Fixed Interest	6	0	9
Commercial, Industrial	376	216	827
Financial & Property	255	66	458
Oil & Gas	18	7	56
Plantations	0	0	6
Mines	65	22	57
Others	71	19	46
Totals	871	343	1,469

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
130	F.P.	-	147	125	Balwyrchs	145	-1	-	-	-	-
†150	P.P.	-	167	150	British Telecom (P/Paid)	161½	-1½	W15.6	1.4	4.4	20.8
100	F.P.	-	117	19	Celsis Intl.	108		-	-	-	-
225	F.P.	-	210	184	Court Cavendish	187		W3.6	2.8	2.4	12.7
100	F.P.	-	98	94	Dunedin Japan Inv	97		-	-	-	-
-	F.P.	-	51	38	Do Warrants	51		-	-	-	-
-	F.P.	-	23	11	Eurotunnel Wts 1993	22½	+½	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
5	Nil	25/8	¼pm	¼pm	Alliance Res.	¼pm	
40	Nil	13/9	9½pm	2pm	Bardon	8½pm	+3¼
135	Nil	3/9	28pm	14pm	Birkby	28pm	
10	Nil	20/8	5½pm	2½pm	Britton	5¼pm	-¼
500	Nil	6/9	100pm	60pm	Chris Blowers	98pm	
127	Nil	13/9	20pm	18pm	Headlam	18pm	
19	Nil	8/9	3pm	1½pm	Marling	1½pm	-½
8	Nil	1/9	3pm	2½pm	Northumbrian Foods	2½pm	
130	Nil	16/8	35pm	29pm	Rubicon	33pm	
275	Nil	17/9	30pm	16pm	Sidlaw	30pm	+2

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown in Saturday editions.

Calls: API, Alphameric, Arlen, City of London, Kunick, Lloyds Bank, Pentos, Premier Land and Shandwick. Put: Lloyds Bank. Put & Call: Marshalls.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

August 10 Total Contracts 28,695
Calls 19,056 Puts 9,539
FT-SE Index Calls 2,221 Puts 3,005
Euro FT-SE Calls 675 Puts 544
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Aug 10	Day's change %	Mon Aug 9	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.79	+0.08	128.61	1.46	7.40
2	5-15 years (23)	154.32	+0.34	153.81	1.78	8.42
3	Over 15 years (9)	172.05	+0.29	171.56	1.73	7.32
4	Irredeemables (6)	199.13	+0.11	198.92	2.86	7.36
5	All stocks (63)	149.91	+0.25	149.54	1.68	7.98
	Index-Linked					
6	Up to 5 years (2)	185.37	-0.05	186.95	8.21	3.41
7	Over 5 years (11)	180.48	+0.14	180.24	0.69	3.20
8	All stocks (13)	180.12	+0.12	180.07	0.64	3.22
9	Debs & Loans (65)	141.26	+0.29	140.88	3.03	6.05

AVERAGE GROSS REDEMPTION YIELDS

			Tue Aug 10	Mon Aug 9	Year ago (approx.)
	British Government				
1	Low	5 years	6.45	6.49	8.81
2	Coupons	15 years	7.30	7.34	8.95
3	(0%-7¾%)	20 years	7.45	7.49	8.95
4	Medium	5 years	6.98	6.92	9.49
5	Coupons	15 years	7.44	7.48	9.15
6	(8%-10¾%)	20 years	7.52	7.56	9.06
7	High	5 years	6.77	6.81	9.71
8	Coupons	15 years	7.68	7.72	9.38
9	(11%-)	20 years	7.71	7.75	9.25
10	Irredeemables (Flat Yield)		7.68	7.82	9.21
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.86	2.83	4.30
12	Inflation rate 5%	Over 5 yrs.	3.32	3.33	4.54
13	Inflation rate 10%	Up to 5 yrs.	2.11	2.08	3.88
14	Inflation rate 10%	Over 5 yrs.	3.65	3.16	4.37
15	Debs &	5 years	8.80	8.82	10.69
16	Loans	15 years	8.35	8.37	10.49
17		25 years	8.58	8.53	10.35

Shift in spending patterns means uncertain outlook for worldwide advertising growth

Currency gains help Saatchi to £9m

By Peggy Hollinger

CURRENCY gains boosted interim sales and profits at Saatchi & Saatchi, the heavily-indebted advertising group, which yesterday reported a £7.4m increase in the pre-tax return to £9.1m.

The profits advance was achieved on revenue up 11.5 per cent to £404m for the six months to June 30. Favourable currency movements had been responsible for virtually all of the 13.4 per cent improvement in continuing operations.

Mr Charles Scott, the accountant who took over as chief executive of the world's fourth largest advertising agency in April, said that in spite of the currency gains the interim results showed a group "improving steadily from a financial viewpoint". Revenue for the current year was expected to be broadly similar to last year's £748m, excluding currency movements.

He warned against complacency, however, saying that a shift in the spending patterns of customers away from short bursts of promotional activity to more sustained value for money branding "could disrupt . . . traditional expenditure patterns". The worldwide outlook for advertising growth "is uncertain," he added.

Net debt had fallen from £192m at the end of 1992 to £177m at June 30 following the £73m rights issue. Mr Scott said the group aimed to reduce borrowings to £145m by the end of 1993.

He re-emphasised his commitment to paying a dividend in 1994. Earnings per share were 1.9p (4.9p losses).

Mr Scott said much remained to be done to improve the group, particularly in light of the downturn in Europe. "We still need to get our costs down in some areas."

Margins had fallen from a peak of 5.5 per cent in the first half of 1992 to 4.7 per cent. This was expected to rise to 6 per cent by the end of the year, after further cost-cutting, and to 10 per cent by the end of 1995. Saatchi, which has cut staff by 5 per cent to 11,900 in the last 18 months, is expected to seek further reductions in Europe and possibly the US.

Continental Europe had suffered most severely in the first half, particularly Spain. Trading profits were more than halved from £9.7m to £4.5m. The 33 per cent increase in profits from the US to £10.8m was mainly because of currency gains. Underlying revenue growth remained flat.

The most encouraging signs came from the UK and Pacific region. Although UK revenues fell 3 per cent, trading profits were up from £2.8m to £3.1m.

The group's stronger financial position meant that it would begin to focus on investing the rights issue money, Mr Scott said. One of the first targets would be to build up the Zenith media buying company in to a global concern.

Charles Scott: group was now in a stronger financial position

Citibank to sell UK life unit to Cannon Lincoln

By Norma Cohen, Investments Correspondent

CITIBANK is to withdraw from the UK life insurance underwriting business and is selling its Citibank Life Assurance unit to Cannon Lincoln, the UK life insurance subsidiary of Lincoln National Corporation of Indiana.

Terms of the sale were not disclosed.

Just 18 months ago, Citibank made a significant push into the UK life business by acquiring the sales force of MI Group, a 700-strong sales team known for its hard-sell approach and reliance on cold-calling customers.

At the time, Citibank Life had assets under management of £100m, which have since grown to £250m.

Since then, Citibank has injected fresh capital into the subsidiary, most recently a £3.25m addition within the past few months, according to Mr Paul Curran, head of UK consumer banking for Citibank.

Mr Curran said the move reflects the continuing rationalisation of the bank's operations worldwide. "While we think life and pensions businesses are key, we don't think we need to be in underwriting," he said.

Citibank will continue as a "tied agent" of the new combined entity, selling its products exclusively through its branches. Also, Cannon Lincoln sales agents will have access to Citibank customer lists and in turn, will offer some retail Citibank products, such as short term deposit accounts and mortgages to its own customers.

The move is part of a growing tide of rationalisation in the UK life insurance business, spurred on by tighter disclosure regulations which are expected to heighten competition among firms.

For its part, Cannon Lincoln said the acquisition is part of its strategy to play a significant part in the UK life insurance business.

The combined businesses will have assets under management of over £965m and will become the 16th largest seller of unit-linked life and pensions products in Britain. It will have a combined sales force of 1,428 directly employed sales agents and 1,040 tied sales agents who sell Cannon Lincoln products exclusively but who are not directly employed by the company.

After the acquisition, Cannon Lincoln will have 80 branch offices, up from the current 30, and its head office staff will roughly double to 720.

Cannon Lincoln said there were currently no plans for rationalisation of staff following the acquisition.

Bensons lists on low tide of doubled losses

By Catherine Milton

BENSONS CRISPS, conceived in wartime austerity, yesterday splashed out on a shipboard press lunch, as the company listed on a low tide of doubled pre-tax losses made in the company's weaker first half.

It was all a world away from Mr Sidney Benson, the fish and chip shop proprietor who fought a 1940s oil shortage with lard and ensured an unbroken supply of crisps for the people of Wigan, founding the snack maker at the same time.

The "informal press luncheon", aboard the Honourable Company of Master Mariners Headquarters Ship, the HMS Wellington, was probably not meant as ironic allusion to the late, lush eighties.

Mr Tony Fiddian, the finance director presiding over losses of £386,000 (£191,000) for the six months to May 29, said: "It's a matter of honour. We turn out whether the news is good or bad."

The losses were struck on turnover up at £16.5m (£15.6m). The increase in sales was entirely due to supermarkets and discounters, in line with the general trend.

In the independent sector, which accounts for more than 56 per cent of Bensons' sales, Golden Wonder, owned by Dalgety, had taken market share by slashing prices to 1970s levels.

Sight and Sound, the company's small animation offshoot, suffered from a last minute cancellation as a result of which it also lost money.

Nevertheless, the interim dividend is maintained at 0.7p, although losses per share deepened to 3.2p (1.7p).

All this on top of a first half typically weakened by seasonally high potato prices, means Bensons could be forgiven for describing its results as disappointing, but not surprising.

However, Mr Malcolm Jones, chairman, said the second half "is beginning to take on a more positive shape".

Despite this, Bensons' shares ended the day 7p lower at 62p.

Advertising upturn lifts CIA

By Catherine Milton

CIA GROUP, the independent advertising media buyer, yesterday announced pre-tax profits ahead from £1.87m to £1.89m in the six months to June 30, as clients returned to more normal budget patterns.

Mr Chris Ingram, chairman, said: "Half year comparisons with 1992 have been adversely affected by a shift in our business towards the second half of the year, after an unusually even split last year."

He said all companies in the group would show increased sales in the full-year.

Turnover rose to £122.9m (£116.3m) on the back of increased spending by clients and new business. Mr Ingram said: "There are some small signs of the recession ending in the UK, but we are seeing recessionary patterns in continental Europe."

Operating and administration costs increased to £5.57m (£4.94m), reflecting investment in new senior management and start-up costs of the Billett Consultancy business.

Investment income was lower at £310,000 (£753,000) as UK interest rates fell and cash decreased to £7m (£8m), mainly because of CIA's purchase of a 45 per cent stake in Blufin of Italy.

The interim dividend goes up to 1.46p (1.32p), payable from earnings of 8.3p (8.59p) per share.

Russell Hobbs behind 88% leap at Pifco

By Roland Rudd

A STRONG performance by its Russell Hobbs brand enabled Pifco, the electrical appliances group, to report a 88 per cent increase in annual profits.

The pre-tax outcome for the 12 months to April 30 rose from £1.17m to £2.2m on sales of £37.4m (£40m).

Mr Michael Webber, chairman, said: "Improved efficiency and profitability at Russell Hobbs and tight control on all costs throughout the group was responsible for the rise in profits."

As part of the rationalisation the workforce was reduced by 12 per cent, leading to the loss of 78 jobs. The company ended the year with a net cash balance of £4.6m.

In the 28 months before the group acquired Russell Hobbs it incurred losses of £31m. Mr Webber conceded that analysts had been nervous about the purchase, believing it to be either a big lead forward or big mistake. "I believe we have now proved it has been a success" he said.

Tax charge remained low at 5 per cent because of accumulated losses at Russell Hobbs.

Pifco is exploring potential acquisitions in the European small appliance industry. "Timing is everything" said Mr Webber, "but there could be some good buys in Germany where many of the family businesses are thinking twice about their options."

He described consumer confidence in the UK as "fragile and erratic" with margins under pressure.

The company is planning to launch a number of products at the bottom end of the market to co-exist with its premium brands such as Russell Hobbs and Carmen.

Earnings per share rose to 25.5p (13.9p). The final dividend is raised to 4.75p making a total of 8.25p (7.75p).

Brit Land signs Soros link

A BINDING agreement to set up a property partnership between British Land and the Quantum Fund, headed by Mr George Soros, has been signed 10 weeks after it was first announced, writes Vanessa Houlder.

The delay in finalising stemmed partly from the complexity of the tax and legal arrangements, complicated by Quantum's move from the Netherlands Antilles to the Cayman Islands.

The final agreement has given British Land the right to to buy Quantum's interest, once the investing phase of the partnership, which is expected to have funds of at least £1bn, is complete. If British Land decides not to buy out its partner, Quantum may do so.

British Land said that the importance of the new clause was that it allowed it to plan its finances ahead for the exit. In its preliminary form, the partnership was expected to be ended through the liquidation of the property.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Irish	int	4.1§	Oct 7	3.8	-	8‡
Bensons Crisps	int	0.7†	Oct 5	0.7	-	2.85
BPP	int	3	Nov 4	2.7	-	8
CIA §	int	1.46	Oct 5	1.32	-	4.35
General Accident	int	8.7	Jan 1	8.7	-	26.75
Howard Holdings	fin	0.5	Oct 19	0.5	0.5	0.5
New Ireland	int	3.5§	Sep 17	3.3	-	12.56
Pifco	fin	4.75	Oct 1	4.25	8.25	7.75
Practical Inv	fin	2.49	Oct 19	2.2	3.59*	3.3*
Rexmore	fin	1.05	Oct 7	1.05	1.75	1.75
Riv/Merc Geared	int	1.4	Sept 27	1.4	-	7.525

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Excludes special distribution. §Irish currency. ‡For 9 months.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Price for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.75	18.18	18.18
0100	20.40	18.05	18.05
0130	20.40	18.18	18.18
0200	20.40	18.18	18.18
0230	20.40	18.18	18.18
0300	20.40	18.18	18.18
0330	20.40	18.18	18.18
0400	20.40	18.18	18.18
0430	20.40	18.18	18.18
0500	20.40	18.18	18.18
0530	18.03	20.66	25.11
0600	32.00	18.04	18.04
0630	32.00	18.81	18.01
0700	20.35	22.21	28.87
0730	23.00	24.68	29.30
0800	24.04	25.08	29.50
0830	24.06	27.94	32.42
0900	26.42	27.37	32.48
0930	28.35	28.08	32.50
1000	28.39	29.18	33.60
1030	28.44	28.10	33.78
1100	28.51	38.20	34.82
1130	33.19	32.22	38.94
1200	33.33	34.59	38.41
1230	33.28	34.48	38.27
1300	33.72	32.03	38.05
1330	27.24	27.90	32.42
1400	27.18	27.90	32.35
1430	25.98	25.24	30.60
1500	25.98	26.22	30.59
1530	25.98	26.24	30.60
1600	25.98	26.29	30.68
1630	32.17	31.81	38.49
1700	33.34	38.18	43.97
1730	33.21	38.12	43.89
1800	33.11	38.97	43.76
1830	25.39	28.21	30.59
1900	24.94	28.29	30.59
1930	24.68	24.68	29.05
2000	24.63	24.68	28.09
2030	33.86	23.75	28.13
2100	24.83	23.75	28.05
2130	34.37	35.08	39.79
2200	34.37	48.84	51.58
2230	34.37	54.38	59.25
2300	34.37	54.30	59.84
2330	20.56	33.70	38.03
2400	20.91	22.21	26.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]

Energy Settlements and Information Services Limited

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No. [illegible] of 1993
Chancery Division
IN THE MATTER OF
WATERGLADE INTERNATIONAL HOLDINGS PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28 July 1993 confirming:
1) the reduction of the share capital of the above-named Company from £14,866,301.89 to £1,003,835.47; and
2) the cancellation of the share premium account of the said Company of £3,792,166.36
and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 4 August 1993.
DATED this 5th day of August 1993
Berwin Leighton, Adelaide House
London Bridge, London EC4R 9HA
Ref. IL/JUTU/W195/834
Solicitors for the above-named Company

Royal Bank's accounts criticised by watchdog

By Andrew Jack

THE ROYAL Bank of Scotland was yesterday criticised by the Financial Reporting Review Panel, the accounts watchdog, for an entry in its 1992 results which nearly doubled profits.

The bank introduced a change of accounting policy in 1991 which had the effect of substantially lifting 1992 profits but which should have been shown instead in the 1991 accounts.

The panel said the treatment breached SSAP 6, the accounting standard dealing with prior year adjustments, and ruled that the amount should have been shown in the previous year.

The accounts had received an unqualified opinion by Coopers & Lybrand, the auditors.

The bank has agreed to amend the comparative 1992 figures in its 1993 accounts and to include appropriate explanatory notes. That will reduce 1992 profits by more than £9m.

The panel held back from issuing a stronger reprimand or requiring the bank to re-issue the disputed accounts to shareholders as it did in one previous case.

Royal Bank changed its accounting policies in October 1991 to defer acquisition expenses in its insurance operations over the period in which premiums were earned.

The effect was a one-off boost to profits for 1991 and prior years of £9.1m. But the bank took the gain as an exceptional item in its accounts for the year to September 30 1992, which lifted pre-tax profits for the year to £20.9m.

Robert Speirs: approach to changes based on accountants' advice

The review panel had no objection to the new accounting policy, which the bank argued was in line with market practice and the statement of recommended practice of the Association of British Insurers.

Mr Robert Speirs, finance director of Royal Bank, stressed yesterday that the adjustment was not concealed but was clearly flagged in the accounts as an exceptional item. The bank had sought advice from accountants before using the approach. "This was purely a technical matter," he said.

The criticism of Royal Bank follows a reprimand at the end of last month against Breverleigh Investments, which breached three separate accounting standards in its accounts for the year to June 30 1992.

Breverleigh failed to provide a cash flow statement, did not consolidate a subsidiary, Banyan Tree of Key West, and did not include a statement in the accounts that they had been prepared in accordance with applicable accounting standards.

The accounts were not qualified on these grounds by Copeland & Co, the auditors.

The directors accepted that the departures from accounting standards were not justified and assured the panel there would be full compliance in the future. The 1992 figures will be adjusted accordingly in the 1993 accounts.

Banyan, which was 77.5 per cent owned by Breverleigh, had net liabilities of £339,000 and showed a loss for the year of £279,000. Breverleigh showed a pre-tax profit of £887 before an extraordinary loss of £188,000.

Language training limits BPP's rise

By Peggy Hollinger

A STRONG performance in professional training services helped BPP, the education and training group, increase pre-tax profits by 12 per cent to £3.34m on sales ahead just 3 per cent at £24m for the first half of 1993.

That compared with profits last time of £2.97m on turnover of £23.3m.

Mr Richard Price, chairman, said the first half had been held back from being extremely good by losses at Linguarama, the language training business. He was optimistic about prospects for the rest of the group.

"In the last three years we have increased profits each year against a rotten UK recession," he said. "We are determined that 1993 will see BPP continue its unbroken record."

Linguarama incurred an operating loss of £40,000 against profits of £620,000. Mr Price said he expected it to return a profit for the full year following last year's restructuring.

He warned, however, that Linguarama faced a tougher time in continental Europe, where economies were deteriorating further.

Professional training, which offers courses in accountancy, law and banking, returned profits of £1.15m (£522,000). Mr Price said BPP was beginning to reap the benefits of introducing courses in banking and law within the last 18 months.

Publishing recorded a 28 per cent increase in operating profits to £1.4m (£1.09m), while academic training showed an £84,000 rise to £384,000.

Net cash at the end of the period was more than £10m.

The interim dividend is increased from 2.7p to 3p from earnings up 0.4p at 7.6p.

The cake that may need reslicing

Norma Cohen on how new disclosure rulings have hit life insurers

THE Treasury has dropped a bombshell on the life insurance industry by ruling that, for the first time, companies would have to tell prospective policyholders how much the product costs, how much the sales agent will be paid and what penalties will bite if it is surrendered before maturity.

That announcement prompted a sell-off in life insurance company shares which has yet to correct itself.

The Treasury was responding to a report from the Office of Fair Trading which had concluded that the current disclosure regime for life insurers had "significant anti-competitive elements" and that consumers knew too little about what they were buying to choose products wisely.

And while the industry strove to put on a brave face, the stock market showed clearly why life insurers have fought tooth and nail against disclosure rules which were proposed as long ago as 1988.

Before the Treasury's announcement, the life insurance sector was trading at a 48 per cent premium to the FT-A All-Share Index, close to its historical high. Within two days, the premium had fallen by 14 percentage points to 34 per cent, an unusually large drop for the sector.

"These insurance companies haven't really lived in a fully competitive environment before," said Mr Youssef Zial, insurance industry analyst at Morgan Stanley. "And how managements face up to that will decide who survives."

The absence of competition in an industry with a plethora of competitors is a bit of a conundrum. But because customers are unaware of the price of the products they buy, firms have found it makes more sense to compete for sales agents than to compete for ultimate buyers.

Analysts believe that the new transparency requirements will for the first time expose to buyers the unattractive elements of some of the industry's most profitable and widely sold products, particularly, mortgage-linked endowment policies.

Moreover, sales agents of all types will have to disclose to customers the substantial commissions they receive on each sale – a development which some analysts feel could drive customers into other savings media.

"Some endowments which would have been sold will not be sold," said Mr Roman Cizden, analyst at stockbrokers Smith New Court. "When the husband and wife go to their insurance salesman they will fall off their chairs when they see those numbers. They are so big," Mr Cizden said.

A 25-year mortgage endowment with a £50 per month premium will give the average insurance salesman a minimum £486 commission up front, with many receiving up to twice that amount. And all of that comes out of the policyholders' funds.

Endowments are probably the single most profitable product life insurers sell, analysts say. They were roughly 75 per cent of the market in 1992 and of these, mortgage-related endowments were nearly 60 per cent. Other products, such as single-premium bonds and pensions policies have been gaining ground on endowments in recent years, but carry smaller profit margins. "Pensions business has a smaller profit margin than endowments and single-premium products are less profitable than both."

Thus, companies will have to increase volumes of lower-margin business and slash expenses in order to stay profitable. And the less efficient, particularly mutuals without access to the capital markets, will find it difficult to survive.

According to Mr Nick Anderton, a consulting actuary and publisher of an industry newsletter, up to 20 life insurance companies are currently on the auction block following several mergers already announced earlier this year.

Meanwhile, analysts say that companies such as the Prudential, which have already embarked on significant cost reduction programmes, are likely to have an edge in the new competitive environment.

Mr Zial is forecasting that those companies who already have a niche selling to either high income individuals or to the relatively poor will experience the least competition. But those who concentrate on the middle market, the C2s and Ds, will have to struggle to maintain market share.

Companies such as Britannic Life or London and Manchester Life Assurance, which have done well in so-called Industrial branch business – in which an agent makes weekly collections of small premiums – are selling a product which is not likely to be price-sensitive. "The same agent has probably been selling policies in the same street for years. Everybody knows him and he probably sells to two or three members of the same family," Mr Zial said.

However, although there is little competition for this business, there is also little profit in it. Several companies, including Britannic, have had to raise their minimum monthly premiums because they calculated they could not earn money on small sums. Both the Prudential and Britannic did so last year, and consequently reported drops of IB sales in the first half of 1993 of 12 per cent and 66 per cent respectively.

But Mr Cizden argues that from an investor's point of view, the heightened industry competitiveness could be a good thing. It will narrow the field, leaving those who survive with a larger market share. "I will argue that in the future, the cake will be sliced differently," he said.

Spring Ram still in discussions

By Andrew Bolger

SPRING Ram said yesterday it was still in discussion with Masco Corporation, the US building products group which has been considering making a bid for the bathrooms and kitchens group.

However, the Yorkshire-based company said contacts had been of a preliminary nature and it was unlikely that any decision or announcement would be made for some time. Both companies had agreed that they required further detailed analysis and review before they reviewed their respective positions.

Spring Ram also concluded there would be no merit in pursuing discussions at this stage with any of the other parties which expressed an interest in the company.

Mr Roger Regan, who became chairman a fortnight ago, said: "Regardless of the outcome of the discussions with Masco, I believe in the strengths of the company's core businesses which will benefit from the extensive capital investment made over the last few years."

Mr Regan has initiated a full operational and financial review which is expected to be completed before the announcement of interim results on September 22.

Murray Johnstone raises £30m

By James Buxton

MURRAY Johnstone, the Glasgow-based fund manager, has raised £30m from institutions for a new fund to finance management buy-outs and acquisitions.

The Murray Johnstone Private Acquisitions Partnership is a limited partnership under English law and intends to invest in unquoted acquisition financings in the UK, principally buy-outs and buy-ins.

A number of UK, Canadian and US investors have subscribed to the first closing, Murray Johnstone said, and a further closing which could raise a similar amount will take place in the autumn.

MJPAP is the successor to the Murray Johnstone LBO Fund which raised $103m in 1988.

It is now fully invested and has returned about 50 per cent of subscriptions to its investors following the flotation of Burn Stewart, a whisky company, and of Yorkshire Food Group, as well as a number of sales of holdings.

NEWS DIGEST

Fairey in $12.7m US purchase

FAIREY GROUP, the specialist electronics and engineering group, is to buy Luxtron, which manufacturers specialist equipment, for $12.7m (£8.4m).

In the last financial year Luxtron made pre-tax profits of $1m (£600,000) before exceptional restructuring costs of $500,000. Sales came to $11.4m.

New Ireland jumps to I£4m

New Ireland Holdings, the Dublin-based composite insurance company controlled by UAP, the French insurance group, lifted pre-tax profits by 53 per cent from I£2.63m to I£4.05m (£3.79m) in the first half of 1993.

Premium income jumped 62 per cent to I£69.2m. Annual premium new business showed a substantial increase, while single premium business doubled.

The Irish National Insurance offshoot turned in pre-tax profits 71 per cent higher at I£3.15m after an exceptional I£901,000 exchange credit. Underwriting losses, however, rose from I£1.34m to I£2.54m as a result of severe weather claims and increased large public liability claims.

Group earnings per share were almost doubled at 18.5p (9.6p), and the interim dividend is raised to 3.5p (3.3p).

Practical lifts net asset value by 9%

Practical Investment reported a net asset value of 152.74p per 10p share as at May 31, an advance of 9 per cent over the 139.51p standing a year earlier.

Net revenue amounted to £957,438 (£1.01m) for earnings of 4.79p (5.07p) per share.

A second interim dividend of 2.49p (2.2p) is declared, bringing the total for the year to 3.59p (3.3p).

The special dividend, which is dependent on the size of its holding in British government securities, is maintained at 1.01p.

Howard reduces loss to £205,000

Howard Holdings, the property development, plant hire and joinery company, reported a reduced loss of £205,000 pre-tax, against £814,000, in the year to April 30.

The result was helped by exceptional profits of £214,000 compared with a charge of £113,000 last time.

Turnover was lower at £3.07m (£5.83m). Losses per share came out at 0.57p (2.08p). The single final dividend is maintained at 0.5p.

Edinburgh Oil projects advance

Edinburgh Oil and Gas continued its steady progress in the first half of 1993, the highlight being the consent received to develop the North Yorkshire Power Project. Agreement had been reached with Scottish Power to finance construction of the project and to purchase the gas production expected to flow at the end of 1994.

All three gas projects made significant progress in the last few months, as it was also agreed that Scottish Power will buy the uncommitted gas reserves in the Hatfield Moors field, and planning permission was received for the Albury gas development in southern England.

Turnover came to £1.17m ((£851,000), operating profit to £74,000 (loss £28,000) and pre-tax profit to £103,000 (£5,000). Earnings per share were 0.8p (0.02p).

Rexmore highlights recovery potential

Rexmore, the contract furnishings group, is forecasting a substantial recovery in earnings in the current year following the elimination of timber losses, lower interest charges and a reduced tax charge.

"We have achieved a number of aims", said Mr Abraham Rosenblatt, chairman. The objective for the current year was to consolidate on the success of contract furnishing. The first four months showed a significant improvement.

In the year to April 3 the group incurred a pre-tax loss of £1.36m (£896,000) after total costs of £2.4m relating to the discontinued timber side. Continuing activities made operating profits of £1.77m (£1.79m) from turnover of £31.5m (£30.2m).

Interest charges were cut to £649,000 (£916,000). Bank borrowings had been reduced by £2.6m and year-end gearing was down from 44.4 per cent to 13.9 per cent.

Losses per share worked through at 7.7p (7p) but the dividend is held at 1.75p with an unchanged final of 1.05p.

Sheldon Jones sells mill in Somerset

Sheldon Jones, the USM-traded pet food manufacturer, has sold for £460,000 cash an industrial mill at Wells, Somerset. Proceeds will be used to reduce term debt.

The mill has not been used by the company since 1989 and is currently let out. The sale is in line with the new management's objective to reorganise and re-focus the assets and business.

Bimec sells five subsidiaries

Bimec Industries, the loss-making waste treatment and engineering company, has sold five subsidiaries in its electrical engineering division to Romac Group, the parent of a management buy-in team backed by 3i, the investment capital group.

The five companies, Billora Electrical, Ace Electrical, Panelmatic Systems, Talbotbest and Earlswood Environmental, specialise in the installation and maintenance of electrical systems, control panel assembly and manufacture of industrial pipework and ductwork.

COMPANY NEWS: UK AND IRELAND

US market continues to be focus of future growth

Allied Irish Banks advances to I£139m

By Tim Coone in Dublin

ALLIED IRISH Banks, the Republic of Ireland's main clearing bank, reported a 42 per cent increase in pre-tax profits to I£138.6m (£130m) for the half year to June 30.

The group has changed its financial year to end-December and the comparable £97.4m is for the six months to September 30 1992.

A strong performance in the capital markets division, which contributed I£33.1m – a 38 per cent increase – and an overall 12.5 per cent reduction in non-performing loans, equivalent to I£95m on a constant currency translation basis, were the main reasons for the advance.

In addition, the 1992 figures were deflated by an exceptional I£13.9m, which if excluded would give a pre-tax increase of a more modest 24.5 per cent.

The surprise in the results was the return to profitability of the British division, which showed a I£2m pre-tax profit compared with a I£17.2m loss, a recovery which was not expected until the second half of 1993.

Mr Gerald Scanlan, chief executive, said "the lower interest rate environment in Britain has meant that customers there are now better able to service loans."

A sharp reduction in non-performing loans and loan loss provisions had therefore brought the division back to profitability, he said.

However, he predicted that there would be little volume growth in business for the remainder of the year, either in the UK or in the group's core market in Ireland where profits declined by 11.9 per cent to I£73.9m.

"We will first need to see an improvement in performance of [Ireland's] main trading partners," he said.

The US market, where its First Maryland Bancorp subsidiary reported a 37 per cent increase in pre-tax profits to $93.2m (£62.5m), continues to be the focus of AIB's growth strategy.

Mr Scanlan said that the move into the US market was "to find our growth outside the Irish market. We are continuously looking for acquisition opportunities in the Washington, Baltimore and Maryland area."

An increase of only 7.9 per cent in the interim dividend to 4.1p was a source of disappointment to some analysts, but as one pointed out: "They are retaining profits to build a war chest for acquisitions."

Earnings per share rose by 37 per cent to 12.9p.

Manchester Ship Canal shows 27% downturn to £5.7m

MANCHESTER Ship Canal reported a 27 per cent decline in pre-tax profits, from £7.8m to £5.7m, for the half year to end-June.

The result, which came from turnover of £10.9m (£10.5m), was struck after an exceptional credit of £470,000 (£960,000) relating to the release of a £1.58m provision for dredging the Mersey which is no longer required, less a charge of £1.1m in respect of voluntary severance costs.

Last year, the directors pointed out, there was also a surplus of £2.1m from the sale of fixed assets at the Ellesmere Port container terminal.

The company is 82.2 per cent-owned by Peel Holdings, the Rochdale-based property developer which is offering to buy out the minority for an eventual £33.50 per share.

The offer has the support of Stancroft Trust, the largest outside shareholder.

The company is expected to be absorbed into Peel and will lose its quotation.

Earnings per share fell to 121.3p (182.5p).

Slowdown prompts warning over outcome for full year

BOC down 8% in third quarter

By Tony Jackson

BOC GROUP, the industrial gases producer, reported a sharp slowdown in profits for its third quarter to end-June.

Pre-tax profits in the quarter were down 8 per cent at £81.5m.

The company also warned that full year profits were unlikely to match last year's.

Profits for the nine months to end-June were up 4 per cent at £261.6m (£250.9m), on sales ahead 12 per cent at £2.4bn.

However, at constant exchange rates profits would have been down 1 per cent, while sales would have risen by only 6 per cent, the company said.

BOC said its gases business in the quarter suffered from a disappointing economic environment worldwide.

The environment for health care was similarly lethargic. However, it had continued to expand in new areas, acquiring industrial gas businesses in Poland and Germany.

Forane, the group's long-established anaesthetic – which lost its patent protection in the US market early this year – was now expected to lose half its US market to generic competition.

It would be some time before Suprane, BOC's new anaesthetic which has been on sale in the US since April, made a significant contribution to profits.

The vacuum technology business showed a sharp improvement, with operating profits in the nine months almost doubled. This was mostly due to recovery in the semiconductor market, which BOC supplies from its Edwards High Vacuum subsidiary.

Recovery was most marked in more sophisticated processor chips made in the US. The Japanese market, which is more biased to basic memory chips, had not seen the same pick-up.

Nine month operating profits on gases were £228.5m (£217m) on sales of £1.7bn (£1.49bn). Healthcare operating profits were £73.7m (£73m) on sales of £442.6m (£388.4m). Profits on the vacuum business and distribution were £23m (£12.2m) on sales of £256.2m (£201.9m).

After interest charges of £64.2m (£54.9m), tax of £89.6m (£83.3m) and minorities of £14.4m (£9.6m), net profit was £157.6m (£158m). Earnings per share were 33.24p (33.47p).

NEWS IN BRIEF

ACT GROUP has received acceptances in respect of 42.3m new ordinary shares (97.4 per cent) of its recent rights issue at 123p. Subscribers have been procured for the balance at 173p.

EXPLAURA HOLDINGS: Open offer taken up in respect of 81.5m shares (97.19 per cent) raising £2.15m.

HAYS BUSINESS Services, the archive management and storage arm of Hays, has expanded its magnetic media storage operation with the acquisition of DataCartel, a Berkshire-based magnetic storage company. Consideration for the purchase amounts to £960,000 plus the assumption of £290,000 of borrowings.

THAILAND INTERNATIONAL Fund: Net asset value $24.42 (£16.30) at June 30, up from $18.50 a year earlier. Earnings per share 35 cents (27 cents) for six months to end-June. Dividend of 30 cents (20 cents) paid during the period.

TIME PRODUCTS has raised HK$58m (£5m) from the sale of its remaining properties in Hong Kong. It has sold eight floors of the Remex Centre in Hong Kong, with a surplus over net book value of HK$18m.

WIDNEY: In open offer of 59.9m shares, some 23.8m have been applied for. The balance will be taken up by institutions and other investors of Credit Lyonnais Laing.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Commercial Union, Foreign & Colonial Investment Trust, Hambros Currency Fund, Holliday Chemical, Kleinwort Overseas Investment Trust, Metal Bulletin, Nichols (JN) (Vimto), Relian, Thornton Pan-European Investment Trust.

Finals- Armitage Bros, Eng & Caledonian Investment, Hambros Eurobond & Money Market Fund.

FUTURE DATES

Interims-	
Burmah Castrol	Sep. 2
Cadbury Schweppes	Sep. 9
CarnaudMetalbox	Sep. 8
Higgs & Hill	Oct. 7
Kerry	Aug. 24
M&G Income Inv Tst	Aug. 18
M&G Recovery Tst	Aug. 18
Monument Oil & Gas	Aug. 23
PCT	Sep. 2
Taylor Woodrow	Sep. 14
Trade Indemnity	Aug. 18
Williams Hldgs	Sep. 7
Finals-	
Bristol Channel Ship	Aug. 19
County Smaller Co's Inv	Aug. 19

Copper market remains tense

By Kenneth Gooding, Mining Correspondent

COPPER'S PRICE fell sharply on the London Metal Exchange yesterday but the severe technical supply tightness for September to November did not ease and the market remained very tense and nervous.

Yesterday's fall was triggered by a US fund unwinding buying contracts late on Monday, traders said. The volume was "hefty" and caused a knock-on effect in early LME trading.

Cash copper closed $20.50 down at $1,937 a tonne, while three-months metal was $1,896.50, down $41.

Mr Angus MacMillan, analyst at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said the near-term outlook for copper had deteriorated recently. This was reflected in a further increase in LME copper stocks yesterday to 471,900 tonnes, a 15-year peak.

He said: "If the squeeze is maintained, prices could move higher as the September options declaration approaches. But, if our assessment of the fundamentals is correct, a very sharp reversal could be in prospect."

Aluminium row escalates

By Leyla Boulton in Moscow and Kenneth Gooding in London

THE STORM of disapproval about the European Commission's weekend decision to put short-term restrictions on aluminium imports from the Commonwealth of Independent States increased in ferocity yesterday.

- Mr Paul O'Neill, chairman of the Aluminium Company of America, the world's biggest aluminium group, warned that the EC's move would certainly increase trade friction and might force the US industry to ask its government to take retaliatory action.
- Russia's foreign economic relations ministry accused the EC of "betrayal" and added: "Restrictions on aluminium imports from Russia contradict numerous declarations of Community representatives about support for Russian reforms and trade liberalisation."
- Intercomalum, the CIS aluminium industry's trade association, said the EC had given no hint that it would take such draconian action and suggested "this will confuse the [aluminium] market and create unnecessary disorder".

The EC said at the weekend that the European aluminium industry was being "seriously damaged" by the surge in imports from the CIS and that imports until the end of November would be limited to 60,000 tonnes.

In June, Alcoa cut production at its smelters by 25 per cent, partly in the hope of heading off action by the EC. At that time Mr O'Neill, a fervent free-trade advocate, insisted that the western aluminium industry had to learn to live with the changed situation following the collapse of the former Soviet Union and should not resort to protectionism.

Yesterday he said he had followed Alcoa's June cuts with talks with US trade officials in the hope that they would raise the issue with the EC. But, apparently, nothing had been done. He was "extremely disappointed" by the EC decision, which he called a "futile action"; the market gave its judgment in a decisive way by dropping the price of aluminium substantially.

Mr O'Neill said the EC statement showed the futility of the commission's restrictions by stressing that there were not enough statistics available to see what was going on in the CIS industry.

The restrictions would have little impact because the industry would swap CIS aluminium for that made in Brazil or North America and send that to Europe.

"The only logical way to make the scheme effective is *for the EC to restrict imports* from anywhere in the world to 60,000 tonnes in the next four months.

"Clearly we have to assume more Russian metal will be directed towards the US. This is unfair trade, so I must get my lawyers and trade experts together to see if we can stop that flow. If this is the way our political leaders want to play, then we must act to protect ourselves," he said.

Mr Elliot Spitz, a vice chairman of Intercomalum, said there had been two meetings between the CIS industry, Russian government and EC officials. Intercomalum had assumed that negotiations would continue until satisfactory arrangements about imports to the EC could be worked out.

More talks were scheduled for September and, while Intercomalum did not expect that the present restrictions would be lifted, "we are much more concerned to prevent an extension to the restrictions".

As for the EC complaint that the CIS industry had failed to provide statistics, Mr Spitz pointed out that this was caused by the collapse of centralised structures as the Soviet Union broke up.

But today all the CIS aluminium industry's plants were open to receive western visitors and "there is no doubt about the willingness of the industry to co-operate with the west".

Meanwhile, the Russian foreign economic relations ministry urged the commission to *drop the restrictions and* instead stand by an agreement reached in July to explore alternative ways for limiting CIS exports.

It said the EC's unilateral action was a serious blow to Russia's economy and trade and at odds with the EC's previous support of Russian economic reforms.

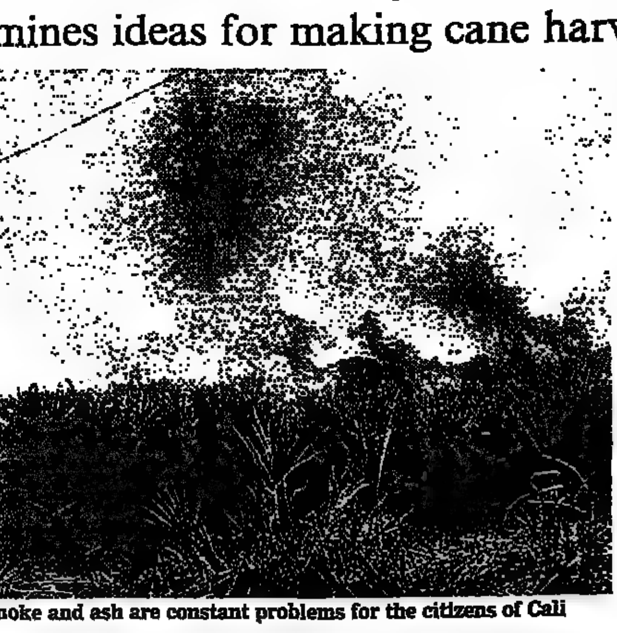
Colombia's black city turns to green sugar

John Madeley examines ideas for making cane harvesting environmentally sound

THE SUGAR industry around the Colombian city of Cali does not arouse many sweet feelings *among the local population.* Thick black smoke belches from the large sugar fields close to the city, creating a serious hazard for road users, affecting people's lungs and producing an ash that rains from the sky to blacken clothes.

In an area where the daytime temperature averages around 25°C throughout the year, sugar-cane is continuously planted and harvested; before harvesting the cane is burnt – so the smoke and the ash rarely stop.

Without damaging the crop, burning removes the leaves from sugarcane stalks and makes them easier for cutters to harvest. Concerned that this "sugar by-product" is not contributing to a cleaner environment, the Colombian sugarcane industry's research arm, Cenicana, is trying to help *farmers to clean-up the skies* and harvest their cane "green" rather than burnt.



Smoke and ash are constant problems for the citizens of Cali

Sugar-cane production in Colombia is concentrated on 135,000 hectares in the flat lands of the country's Cauca Valley, near Cali. About a quarter of annual output is exported, earning some $140m a year.

Costs of production are around 11 cents a lb, about 1.5 cents more than the current world price. A buoyant national market takes most of the output and accounts for *the industry's profitability.*

Switching over to green harvesting may be desirable, but "it will need major changes", says Cenicana's director, Mr James Cock.

The crop is cut by hand and if existing varieties of cane continue to be used, the cutters would only harvest about 70 per cent of their current output. As they are paid for every tonne they cut, their income would fall by about 30 per cent.

The answer, Mr Cock believes, is to develop new varieties that can be harvested *"green" as quickly as* burnt cane. "We have some very promising lines which we call self-stripping, where the leaves fall off."

It also helps if the new varieties are bred with thicker stems so that the cutters get more weight per cut; if they axe the same number of stems a day, they harvest a higher quantity of cane, so maintaining or increasing their income.

Again, it helps if varieties can be developed that are more erect as this makes them easier to work with.

The new varieties will also overcome other problems facing the sugar industry, believes Mr Cock. "With the present varieties, we take a lot of trash, such as leaves, to the sugar mill, which interferes with the factory process," he says. "If we can grow varieties where the leaves just fall off naturally before harvesting, we can overcome a lot of these problems."

Cenicana is also trying to develop varieties that have a higher sugar content. "If we have a higher sugar content per tonne of cane harvested, then we can accept slightly higher levels of trash," says Mr Cock.

There are other agricultural advantages in harvesting green, he points out. "If we harvest green, we get a mulch which covers the soil and helps to conserve water and control weeds and may, in the long term, increase fertility."

A further benefit is that green harvesting leaves behind substantially more residues, which can be used for industrial purposes. Sugar residues are already used to make paper and could be adapted as an energy source, possibly to generate electricity. "Residues might also be used to fuel the boilers in sugar mills, which would mean a saving of coal."

Although cane for sugar is grown in monocropping fashion in Colombia, it normally needs no pesticides. Biological control is the norm, with damaging pests controlled by beneficial insects. Mr Cock wants to see this biological control maintained but cautions that the change to green harvesting would create uncertainties.

"We would have to harvest green cane for several years before we could be sure that the biological control would still be effective," he says.

His other concern is that the breeding material used in the development of new varieties is not available in Colombia and is generally in decline throughout the world. "Unless the genetic resources are maintained, then we may not be able to get the breeding material we need," he warns. Cenicana is trying to develop its own gene pool in order to make crosses and breed new varieties.

While sugar originates in Papua New Guinea, germplasm collections are now maintained chiefly in Cuba, France, India and the US.

"It will be a slow process but I think Colombia will eventually move over towards green cane," says Mr Cock. "Australia has taken a big stride towards eliminating burning".

Gold rise saves Australian firms

By Kenneth Gooding

GOLD'S RECENT price rise came just in time to save 30 to 40 junior Australian exploration and mining companies, said Mr Ross Louthean, managing director of the Australian mining publishing and research company, Resource Information Unit, yesterday.

Many junior companies "were hanging on by the knuckles", without cash to explore and a poor climate for joint ventures. Now they had been able to raise cash and money spent on minerals exploration would jump by at least 40 per cent this year, he said, at the launch of the latest edition of the Register of Australian Mining which lists every mining, oil and gas project from Admiral Hill to Zeolite Australia.

Every available drilling rig was at work – including some that should have been retired years ago – and Australia was on track to maintain its position as the third or fourth-largest gold producer in the world.

Register of Australian Mining 1993/94: £145 from Metal Bulletin, 3 Park Terrace, Worcester Park, Surrey, KT4 7HY, UK.

Japan urges beef import cuts to aid farmers

By Emiko Terazono in Tokyo

JAPAN'S agriculture ministry is trying to stem a sharp fall in domestic beef prices by curbing imports of beef, prompting concerns among leading beef exporting countries including the US and Australia.

The ministry has asked domestic meat traders to cut back on excessive purchases of foreign beef, and to import in an "orderly" manner.

While a ministry official said that the request was not "administrative guidance" (an unwritten directive from bureaucrats), a US official criticised the action as inappropriate, with influences other than market forces affecting prices. "The move goes against the principle of the [1988 beef and citrus] agreement," he said.

The action comes as the new prime minister Mr Morihiro Hosokawa, who is calling for more transparency in government dealings, takes office. It indicates that the old ways of the country's bureaucrats will die hard.

The Japanese beef market was opened in 1988 under strong pressure from the US, with quotas abolished in 1991. Imports for the year to last March surged 29 per cent from the previous year's level, to 423,000 tonnes. The tariff cut at the begining of April from 60 per cent to 50 per cent further boosted import growth by a year-on-year 30 per cent during the April to June quarter.

Agriculture ministry officials say wholesale beef prices have fallen by as much as 60 per cent since the market was opened. The recent fall in consumer confidence has prompted a shift from expensive Japanese beef to cheaper imports, and the higher yen has further lowered the price of foreign beef.

Although Mr Hosokawa has stressed the shift to a consumer-oriented market from the supplier-focused tradition, Japanese beef producers have considerable political clout and have been pressuring politicians, particularly during the recent election campaign. The ministry official said import restrictions could not be ruled out, if a further decline in prices threatened the welfare of Japanese beef producers.

However, US and Australian officials insisted that Japan had no grounds for imposing import restraints, as the agreements on beef included safeguard measures to implement restrictions only if the import level climbed to 680,000 tonnes.

Government supports mine over aborigine land claim

AUSTRALIA'S federal government, under pressure from miners and state governments, yesterday gave its support to a Queensland aluminium and bauxite project that promises 2,000 jobs but is under threat from an aboriginal land claim.

Mr Michael Lavarch, the attorney general, said legislation protecting Comalco's Weipa project, the first working mine to be hit by a native title claim, may be introduced in September. "The mining leases which Comalco hold will be validated," he said in a radio interview.

The Weipa bauxite mine leases are included in a claim by the aboriginal Wik people for more than 35,000 sq km of land on the western side of Cape York peninsula.

A landmark 1992 high court case, known as the Mabo case after one of the aboriginal litigants, established aboriginal native title. It ruled that where aborigines could prove a continuing relationship with their traditional lands, their native title might not have been extinguished by white settlement.

Comalco, 67 per cent owned by CRA, had said the aboriginal claim would scare off lenders from a planned A$1.83bn (£830m) expansion of its smelter and electricity generating operations at the port of Gladstone.

It declined to comment on Mr Lavarch's remarks. But Mr Lauchlan McIntosh, executive director of the Australian Mining Industry Council, praised the move. "Mr Lavarch has seen the value of the project to Australia," he said.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,550-1,610 (1,540-1,600).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.50.

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 11.85-12.55 (11.90-12.65); 99.3 per cent, $ per lb, in warehouse, 10.40-11.25 (10.00-10.90).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 100-115 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.35-2.45 (2.30-2.40).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.60-5.35 (4.70-5.40).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 23-35 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 6.90 (7.00).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+3,175	to 1,975,675
Copper	+1,300	to 471,900
Lead	+325	to 278,625
Nickel	+666	to 103,170
Zinc	+2,975	to 723,675
Tin	+50	to 21,400

WORLD COMMODITIES PRICES

MARKET REPORT

After attempting to consolidate above $380 an ounce the London **GOLD** price moved lower in line with a weaker tone in New York. At the close it was quoted at $379.20 an ounce, down $3.05 on the day. "We got trade selling with a vacuum on the downside," said one New York dealer. "We've been unable to get above the unchanged level, much less above yesterday's high of $387.20 [for the December futures position]." **ZINC'S** recent decline was temporarily halted and after setting a fresh six-year low of $878 a tonne, the London Metal Exchange three months price rallied on trade support to end the kerb session at $890 a tonne, up $6. At the London Commodity Exchange **COCOA** prices, supported by an initially firmer New York market and weaker sterling, closed up to £3 higher in active months but in routine total turnover of 4,814 lots. But traders did not rule out the possibility of a further slide. **COFFEE** prices dropped back from morning highs in what dealers said was a slight correction to an exaggerated upward move on Monday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.41-4.51u	-.105
Brent Blend (dated)	$16.32-6.34	-0.16
Brent Blend (Sep)	$16.46-6.48	-0.16
W.T.I (1 pm est)	$17.43-7.45u	-0.17

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$190-192	
Gas Oil	$158-159	
Heavy Fuel Oil	$61-62	+0.5
Naphtha	$158-160	-0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$379.20	-3.05
Silver (per troy oz)♣	470.5c	-1
Platinum (per troy oz)	$393.00	-0.25
Palladium (per troy oz)	$140.50	+0.75
Copper (US Producer)	90.00c	-1
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.25m	-0.06
Tin (New York)	224.5c	
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	130.36p	+0.70*
Sheep (live weight)†♠	91.52p	-0.72*
Pigs (live weight)†	73.31p	+0.20*
London daily sugar (raw)	$233.00	-9.1
London daily sugar (white)	$283.20	-1.1
Tate and Lyle export price	£281.00	-5.6
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	+0.5
Wheat (US Dark Northern)	£147	
Rubber (Sep)♥	60.00p	
Rubber (Oct)♥	60.50p	
Rubber (KL RSS No 1 Jul)	209.0m	
Coconut oil (Philippines)§	$457.5v	+7.5
Palm Oil (Malaysian)§	$355.0t	-2.5
Copra (Philippines)§	$301	
Soyabeans (US)	£202u	-3
Cotton "A" Index	55.55c	
Wooltops (64s Super)	351p	+10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	264.00	262.80	265.00 262.00
Dec	263.50	262.00	263.50 262.50
Mar	266.00	264.00	266.50 264.70
May	265.00	266.00	265.80 265.00

White 666 (1173) Paris- White (FFr per tonne): Oct 1508.73

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Sep	16.48	16.63	16.68 16.48
Oct	16.63	16.74	16.82 16.63
Nov	16.82	16.90	16.97 16.82
Dec	16.97	17.03	17.12 16.97
Jan	17.16	17.15	17.16
Feb	17.23	17.18	17.23 17.22
Mar	17.31	17.30	17.31
Apr	17.36	17.35	17.36
May	17.47	17.45	17.47 17.45
IPE Index	16.51	16.46	

Turnover 30834 (37352)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Aug	156.75	157.25	158.50 156.50
Sep	157.75	158.75	159.25 157.50
Oct	159.75	160.50	161.25 159.50
Nov	162.00	163.00	163.25 162.00
Dec	164.00	165.00	165.50 164.00
Jan	165.75	167.00	166.75 165.50
Feb	166.00	167.00	167.00 166.50
Mar	164.50	165.50	164.50

Turnover 13277 (17541) lots of 100 tonnes

COTTON

Spot and shipment sales in Liverpool amounted to 84 tonnes for the week ended 6 August against 172 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles, notably in the Mali range.

JUTE

Aug/Sep: C and F Dundee - BTC US$315, BWC US$325, BTD US$295, BWD US$300. C and F Antwerp - BTC US$305, BWC US$305, BTD US$280, BWD US$280.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low
Sep	720	718	728 719
Dec	741	738	747 739
Mar	759	756	763 757
May	769	766	773 768
Jul	779	775	784 776
Sep	789	784	793 789
Mar	816	810	819 815
May	825	820	833 825

Turnover: 4814 (8016) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 9 729.77 (744.55) 10 day average for Aug 10 752.32 (755.51)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low
Sep	1156	1167	1165 1148
Nov	1134	1143	1150 1126
Jan	1108	1120	1135 1101
Mar	1094	1111	1121 1080
May	1081	1106	1125 1100
Jul	1076	1106	1111 1085

Turnover: 3741 (5867) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 9 Comp. daily 67.36 (66.49) 15 day average 64.08 (63.66)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
Apr	83.1	81.5	84.0 82.0
May	93.3	92.0	93.3 93.0

Turnover 67 (55) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Aug	166.50	-	166.50
Oct	168.50	-	168.50

Turnover 80 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low
Aug	1400	1375	1400 1375
Sep	1438	1412	1438 1425
Oct	1475	1447	1478 1445
Nov	1490	1473	1496 1474
Jan	1505	1479	1505 1480
Apr	1513	1495	1515 1500
Oct	1478	1468	1478 1470
BFI	1342	1335	

Turnover 410 (198)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low
Sep	106.00	104.95	106.00 104.85
Nov	107.20	106.30	107.35 106.30
Jan	109.00	108.10	109.00 108.10
Mar	111.10	110.10	111.10 110.20
May	113.10	112.10	113.10 112.10
Barley	**Close**	**Previous**	**High/Low**
Sep	100.60	99.85	100.60 100.00
Nov	103.45	102.35	103.50 102.35

Turnover: Wheat 249 (145) Barley 111 (82).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	101.8	102.3	102.0 101.8
Oct	101.5	101.5	101.5
Nov	103.8	103.3	103.8 103.5

Turnover:3 (13)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 31,884 lots	
Cash	1186-7	1184-5	N/A	1184-5	N/A	
3 months	1209-10	1207-8	N/A	1207-7.5	N/A	240,046 lots
Copper, Grade A ($ per tonne)					Total daily turnover 64,720 lots	
Cash	1936.5-7.5	1957-8	N/A	1906-7	N/A	
3 months	1896-7	1937-8	N/A	1886-7	N/A	212,324 lots
Lead ($ per tonne)					Total daily turnover 2,458 lots	
Cash	392-3	391-2	N/A	392.5-3.0	N/A	
3 months	404.5-5.0	404-5	N/A	405-5.5	N/A	25,511 lots
Nickel ($ per tonne)					Total daily turnover 3,811 lots	
Cash	4860-70	4870-80	N/A	4825-30	N/A	
3 months	4915-20	4925-30	N/A	4885-6	N/A	45,411 lots
Tin ($ per tonne)					Total daily turnover 1,733 lots	
Cash	4835-45	4845-55	N/A	4832-5	N/A	
3 months	4890-5	4895-900	N/A	4885-7	N/A	10,695 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 14,485 lots	
Cash	871.5-2.0	868-9	N/A	866-6.5	N/A	
3 months	887-8	883-4	N/A	881.5-2.0	N/A	75,819 lots

LME Closing £/$ rate: SPOT: 1.4805 3 months: 1.4708 6 months: 1.4637 9 months: 1.4580

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	379.00-379.40	
Opening	381.00-381.50	
Morning fix	382.20	257.028
Afternoon fix	380.35	256.525
Day's high	382.20-382.70	
Day's low	378.75-379.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.59	6 months	2.61
2 months	2.57	12 months	2.66
3 months	2.57		

Silver fix	p/troy oz	US cts equiv
Spot	322.85	479.60
3 months	327.35	483.10
6 months	332.00	487.65
12 months	340.00	495.90

GOLD COINS

	$ price	£ equivalent
Krugerrand	382.00-385.00	257.00-260.00
Maple leaf	391.20-393.65	-
New Sovereign	90.00-93.00	60.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	30	64	9	20
1200	15	49	19	30
1225	7	36	36	42
Copper (Grade A)	Calls		Puts	
1900	49	66	26	87
1950	25	47	51	117
2000	11	33	87	152
Coffee	Sep	Nov	Sep	Nov
1150	30	66	24	82
1200	11	48	55	114
1250	3	34	97	150
Cocoa	Sep	Dec	Sep	Dec
725	10	45	15	29
750	3	32	33	41
775	1	23	56	57
Brent Crude	Sep	Oct	Sep	Oct
1700	4	32	-	57
1750	1	15	-	89
1800		6	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	380.9	383.3	381.7	378.0
Sep	381.6	384.0	381.5	381.0
Oct	382.5	384.9	383.2	379.0
Dec	384.4	386.8	385.0	381.1
Feb	386.4	388.8	386.9	383.5
Apr	388.2	390.6	387.5	387.5
Jun	390.1	392.5	389.5	389.5
Aug	391.9	394.3	0	0
Oct	393.8	396.2	393.5	393.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	393.9	395.3	0	0
Oct	395.9	397.3	398.5	391.0
Jan	396.9	397.8	397.0	392.0
Apr	397.4	398.9	398.5	396.0
Jul	398.2	399.7	398.0	398.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	475.1	471.5	476.0	475.0
Sep	476.0	472.5	479.0	483.5
Oct	477.4	474.0	0	0
Dec	480.7	477.4	484.0	467.5
Jan	481.3	478.0	0	0
Mar	485.8	482.5	489.0	474.0
May	489.4	486.3	480.0	485.0
Jul	492.7	489.6	496.0	481.0
Sep	496.4	493.3	0	0
Dec	501.8	498.7	501.0	488.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	83.00	83.45	83.00	83.00
Sep	83.35	83.60	83.60	82.20
Oct	83.50	83.80	83.50	82.60
Nov	83.65	84.00	0	0
Dec	83.80	84.20	84.10	82.70
Jan	84.05	84.45	83.40	83.00
Feb	84.25	84.70	0	0
Mar	84.50	85.00	84.50	83.90
Apr	84.70	85.20	0	0
May	84.85	85.40	85.10	84.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.47	17.55	17.64	17.38
Oct	17.84	17.94	18.00	17.75
Nov	18.09	18.16	18.20	18.02
Dec	18.27	18.37	18.39	18.18
Jan	18.40	18.52	18.53	18.37
Feb	18.60	18.64	18.64	18.60
Mar	18.68	18.73	18.73	18.65
Apr	18.75	18.81	18.75	18.75
May	18.86	18.89	18.86	18.86
Jun	18.90	18.96	18.90	18.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	49.85	50.21	50.30	49.70
Oct	51.05	51.47	51.45	50.90
Nov	52.25	52.69	52.70	52.20
Dec	53.45	53.84	53.80	53.35
Jan	54.30	54.74	54.65	54.30
Feb	54.95	55.29	55.00	54.90
Mar	54.25	54.79	54.60	54.40
Apr	53.80	53.89	53.90	53.60
May	53.15	53.19	0	0
Jun	52.70	52.79	52.70	52.60

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	905	904	915	898
Dec	951	950	961	947
Mar	984	987	996	983
May	1002	1005	1010	1000
Jul	1022	1026	1025	1025
Sep	1042	1045	1046	1044
Dec	1070	1073	1073	1073
Mar	1093	1089	1095	1091
May	1111	1107	1111	1111

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	74.95	76.75	77.40	74.80
Dec	77.80	79.40	79.95	77.50
Mar	79.85	81.60	82.15	79.75
May	81.25	83.00	83.50	81.10
Jul	82.50	84.40	0	0
Sep	83.75	85.60	0	0
Dec	86.75	88.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.64	9.63	9.88	9.49
Mar	9.96	9.85	10.05	9.75
May	10.01	9.91	10.10	9.81
Jul	10.11	9.93	10.11	10.06
Oct	10.10	9.98	10.03	10.03

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	56.63	56.23	56.85	56.35
Dec	57.60	57.24	57.85	57.45
Mar	58.94	58.50	59.00	58.65
May	59.56	59.20	59.65	59.50
Jul	60.30	59.74	60.35	60.35
Oct	60.75	60.03	60.90	60.30
Dec	60.66	60.15	60.60	60.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.55	116.65	118.25	114.25
Nov	120.85	119.75	121.45	118.00
Jan	122.50	121.75	123.50	120.00
Mar	124.00	123.45	125.00	122.70
May	125.45	125.45	0	0
Jul	125.45	126.30	126.00	126.00
Sep	123.45	124.20	0	0
Nov	123.45	124.20	0	0
Jan	123.45	124.20	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Aug 10	Aug 9	mnth ago	yr ago
1639.3	1650.2	1696.3	1535.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 9	Aug 6	mnth ago	yr ago
Spot	124.76	124.82	125.49	117.03
Futures	128.11	128.59	127.22	116.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	666/4	669/4	673/4	665/0
Sep	669/6	667/6	673/0	664/4
Nov	673/2	670/0	676/6	667/4
Jan	677/4	674/6	680/0	672/4
Mar	680/4	677/6	682/6	676/0
May	681/4	680/0	683/0	677/0
Jul	682/2	680/0	684/4	679/0
Aug	676/0	675/0	678/0	672/0
Sep	645/0	644/4	646/4	645/0
Nov	623/6	620/2	624/4	620/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.65	23.69	23.75	23.52
Sep	23.74	23.78	23.85	23.61
Oct	23.85	23.92	23.95	23.76
Dec	24.09	24.10	24.20	23.96
Jan	24.15	24.12	24.25	24.05
Mar	24.28	24.22	24.35	24.15
May	24.30	24.29	24.35	24.20
Jul	24.27	24.25	24.40	24.20
Aug	24.20	24.08	0	0
Sep	23.99	23.88	23.99	23.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	215.4	215.7	217.2	215.0
Sep	213.7	213.1	214.8	212.3
Oct	212.7	211.8	214.0	211.3
Dec	212.3	211.2	213.3	210.8
Jan	211.5	211.5	212.8	210.5
Mar	211.5	211.0	212.9	210.5
May	210.4	211.0	211.0	210.6
Jul	208.5	209.0	210.5	208.5
Aug	208.5	208.5	210.0	208.0
Sep	205.0	204.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	238/6	236/4	239/0	236/2
Dec	245/6	242/4	246/0	242/4
Mar	253/0	249/4	253/2	249/6
May	257/4	254/2	257/6	254/6
Jul	259/6	256/4	260/0	256/6
Sep	252/4	249/4	252/4	250/0
Dec	245/2	243/0	245/4	243/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	310/6	310/2	312/6	309/4
Dec	318/0	317/2	320/0	318/2
Mar	320/2	319/2	321/4	318/4
May	314/0	314/0	315/4	313/0
Jul	303/2	302/6	304/4	302/6
Sep	306/0	307/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	76.125	76.450	76.575	75.975
Oct	75.625	76.075	76.200	75.575
Dec	75.475	75.775	75.950	75.400
Feb	75.925	76.200	76.400	75.900
Apr	77.100	77.250	77.400	76.975
Jun	73.725	73.850	74.150	73.700
Aug	72.200	72.550	73.000	72.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	48.300	49.050	48.625	47.900
Oct	44.825	45.600	45.650	44.400
Dec	44.500	45.325	45.575	44.000
Feb	44.275	44.875	45.000	43.950
Apr	43.200	43.875	43.900	43.050
Jun	48.300	48.925	49.000	48.300
Jul	47.500	47.875	48.150	47.500
Aug	46.675	46.900	0	46.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	41.400	43.400	42.250	41.400
Feb	47.075	48.875	48.700	46.900
Mar	46.525	48.250	48.300	46.525
May	47.550	48.500	49.000	47.550
Jul	49.000	51.000	50.000	49.000
Aug	48.900	50.800	0	48.900

LONDON STOCK EXCHANGE

Profit-takers cut into share prices

By Terry Byland, UK Stock Market Editor

PROFIT-TAKERS finally moved into the UK stock market yesterday, taking their cue from the failure of the stock index sector to hold new highs and a reminder from BOC, the industrial chemicals group, of the pressures on corporate profits. Selling pressure increased in the second half of the session when early trading on Wall Street saw the Dow Industrial Average slipping away from the peak levels of the previous session.

Some surprise was expressed that UK equities should weaken when the bond market was still very firm. Some traders suggested that a rights issue might be in the offing. But the general view was that profit-taking was hardly unexpected after the strong advance in the stock market over the past month. The two week equity account, which has brought substantial paper profits for investors, closes on Friday and there is every inclination to cash in early. The FT-SE Index closed down 14.8 at 2,971.6

Shares opened higher, on the back of Wall Street's overnight peak, and edged forward in early trading. However, equities went into reverse when the September future on the Footsie started the day with a sharp sell-off. At mid-morning, the scene brightened when the futures contract pushed to a new peak of 3,006 but it was soon clear that buyers would not support this level.

Dealers said that it was underlying weakness in equities that pulled the future down, rather than the other way round, as is more often the case. The BOC trading statement for the third quarter, read by analysts as an effective profits warning, hit hard at the market's new-found optimism, and also emphasised the question markets still overhanging the currently generous valuations on which UK shares are trading.

However, nothing seemed able to halt the upward pace of the FT-SE Mid 250 Index which yesterday added another 7.4 to break through to a new peak of 3,406.8.

Demand for second line stocks also showed itself in the pattern of turnover. Around 61 per cent of the day's Seaq total of 771.9m shares was in non-Footsie shares. On Monday, 525.3m shares through the Seaq network were worth £1.19bn in retail business, slightly below recent averages but still comfortably profitable for the market professionals.

The Bank of England's Quarterly Bulletin, which appeared relatively cautious on hopes for an early base rate cut, was not released until after stock market hours. This morning will bring the first reaction to the bank's report from retail and consumer issues, which were steady yesterday as optimism on interest rates was buoyed by Monday's consumer lending data.

International stocks drew little benefit from Wall Street's strength, oil shares mostly giving ground on uncertainty towards crude oil prices. Reuters, the global financial data group, came in for severe profit-taking after talks between the London International Financial Futures and Options Exchange (LIFFE) and Reuters' Globex subsidiary were suspended. The pharmaceutical sector held up well in the face of cuts in drug prices.

The financial share sectors remained dull as attention switched from the UK banks to the insurance companies which are now reporting on recent trading.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Aug 2	Aug 16	Sep 6
Option Declarations:	Aug 12	Sep 2	Sep 16
Last Dealings:	Aug 13	Sep 3	Sep 17
Account Day:	Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

BOC hit on profit warning

THE MARKET'S enthusiasm for BOC shares, which has taken the price up from a mid-July level of 640p to 703p, evaporated yesterday as the company accompanied its third quarter results with a warning that full-year results will not match those of last year.

The profits warning, which came at the end of the official company results bulletin, was a bolt from the blue for the market. Dealers at first queried the profits warning news and then proceeded to demolish the BOC share price.

The stock price opened tentatively at 686p but quickly retreated to what proved to be the day's low of 651p, a net fall of 63p. Turnover in BOC accelerated to 9.9m shares, the heaviest single day's business since 1986.

Analysts were shocked by the profits warning. One said: "The figures were around the bottom range of estimates but were okay. But the real worry around the market was that the company offered no real reason for the warning at the post-figures meeting. And you have to remember that most of the big broking firms have been bulls of the shares in recent months. To say the least, there is a lot of investor dissatisfaction around the market." Dealers said there was every chance the shares would come under further pressure this morning.

Profits forecast for the current year, previously in the region of £365m, have now been reduced to just below the £341m the company achieved last year.

BA wanted

First quarter results from British Airways (BA) saw the shares accelerate as transport analysts, picking through the wealth of statistics issued by the company, declared themselves highly positive.

Most focused on the passenger yield – the key industry measure of average fare income per kilometre travelled – which rose by 2.3 per cent to 6.17p. The figure benefited from favourable currency movements.

Despite a fall in pre-tax profits, analysts were excited by the potential for a pick-up in trading in 1994. "Against a background of low inflation and economic recovery, the operational gearing and low prospective multiple makes BA one of the most attractive cyclical plays in the market," said Mr Mark Laurence at Smith New Court, who yesterday turned buyer of the stock.

Mr Nick Cunningham at Strauss Turnbull said: "These figures show BA's ability to make reasonable money in the most appalling market conditions. If the trading and competitive environments improve then it is capable of being very profitable indeed." He added that for the long-term, the stock was "substantially undervalued".

Analysts' full-year profit forecasts varied widely. Smith New Court cut its current year forecast by £75m to £225m, with a smaller cut to £375m for 1994-95. Strauss is looking for £345m and £450m respectively.

Spurred on by good US support, the shares ended the day 14½ up at 350p in hefty turnover of 15m.

Payment disappoints

Interim profits from General Accident, the composite insurer, were at the very top end of market expectations but failed to induce any substantial buying interest in a market where optimists had been looking for an increase in the interim dividend.

The latter was held at 9.7p, with some analysts pointing out that GenAx has been criticised in the past for paying out too much in dividends.

Dealers said the 9 fall in the share price to 683p represented no more than small-scale selling by disappointed speculators. Turnover was an unremarkable 2.4m shares.

Mr Youssef Ziai, insurance analyst at Morgan Stanley, the US investment bank, described GenAX's figures as "very encouraging", and said a rights issue is less likely with solvency margins at 49 per cent. The broker shifted its stance from "sell" to "hold".

Enterprise Oil was a big casualty in an otherwise sedate oil and gas sector as the market reacted badly to news that Mr John Walmsley, the group's highly-rated finance director, is to leave the group at the end of the year.

Enterprise fell 12 to 439p on the news with turnover expanding rapidly to a higher than normal 1.1m shares.

"The market has taken this news very badly and is scenting that perhaps something could be going wrong at Enterprise," said one analyst, who added that Mr Walmsley has been at Enterprise since the group was floated on the market in the early 1980's.

International news and information organisation Reuters fell 24 to 1524p on news that the London International Financial Futures and Options Exchange (LIFFE) had suspended discussions on joining the company's Globex system, the after-hours electronic trading system owned with the Chicago Board of Trade and Chicago Mercantile Exchange. Turnover was 1.1m shares.

Mr Brian Newman of Henderson Crosthwaite said it was no more than a technical reaction to a small piece of bad news.

Another analyst said the announcement had triggered profit-taking after the recent strong run in the shares.

Bank shares, among the market's best performers since the UK withdrew from the ERM last September, suffered from a bout of profit-taking, largely triggered by "take profits" advice from one of the leading London broking houses.

Standard Chartered, reporting interims tomorrow and whose shares have been hitting new peaks in recent sessions, tumbled 14 to 882p as talk of a hefty cash call along with the figures began to filter into the market. Any rights issue, however, is expected to be well taken and nearer to £250m than £500m.

Lloyds Bank was the biggest casualty in the high street banks, the shares dipping 12 to 534p on 4.8m traded, with dealers noting plenty of switching out of Lloyds and into Barclays and NatWest. The latter settled 6 off at 497p and the former 4 off at 498p.

Merchant banks, on the other hand, continued to make good progress, with Kleinwort Benson 6 up at 498p and SG Warburg 4 better at 797p.

Commercial Union retreated 11 to 649p, affected by General Accident. Royals were active and eased 4 to 343p.

News International moved 11 ahead to 255p on the back of its recent successful bid for a controlling stake in StarTV, the Hong Kong-based satellite system.

Pearson, which owns the Financial Times, appreciated 5 to 479p and Reed International, the international publishing group, climbed 10 to 663p. Both companies had underperformed the market over the past period.

In the media sector, Saatchi & Saatchi shed 4 to 168p, although its interim results were in line with market expectations.

SG Warburg downgraded the group's final pre-tax profits forecast from £27m to £24m on high redundancy costs in Europe.

The announcement that Owners Abroad was appointing Mr Michael Julien as chairman saw the shares rally, closing 10 ahead at 77p. Turnover was a healthy 6.7m. Dealers said the appointment reassured some investors who considered the stock as undervalued, but remained nervous after the recent profits warning.

Anglo-Dutch food group Unilever weakened on further press comment on the brands issue and nervousness ahead of its results on Friday. The shares dropped 11 to 961p.

The prospect of further domestic interest rate reductions drove the housebuilders sharply higher.

Wilson Bowden was the market's favourite, closing 12 up at 431p, closely followed by Persimmon, 6 higher at 275p and Berkeley, 4 firmer at 419p.

Turnover in British Land rose to 3m as a block of 1m was placed at 356p. The shares were unchanged at 358p. In a strong property sector, Slough Estates gained 5 to 230p.

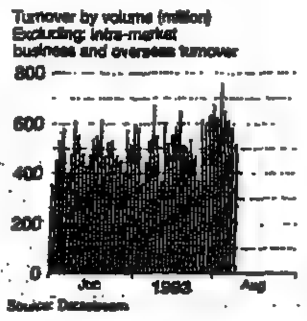
MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Zhang Tingting.

■ Other statistics, Page 14

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (373). BRITISH FUNDS (38) OTHER FIXED INTEREST (8) AMERICANS (6) CANADIANS (2) BANKS (9) Allied Irish, Bk. Ireland, Bk. Scotland, HSBC, HSBC (HK), Mitsubishi T & B, Mitsui T & B, Nat. Australia, TSB. BREWERS (4) Devenish, [illegible] Macfarlane, Popola, NMC, Waddington (J). PROP (9) Asda, Frogmore, Helical Bar, Lamont, 11½pc Deb. '12, Lon. Merchant Secs., Do 7¼pc Cv '00-05, Mucklow, Peel. STORES (6) Arnotts, Carpetright, Etam, GUS A, Next, Tie Rack. TELE NETWORKS (2) Cable & Wireless, Securicor N/V. TEXTS (2) Readicut, Shaw. TRANSPORT (10) WATER (1) South Staffs. MINES (1) Central Pacific.
NEW LOWS (13). BRITISH FUNDS (4) Treas. 8½pc '94, Treas. 10pc '94, Exch. 13¼pc '94, Treas. 14½pc '94. CANADIANS (1) Brookwater. BUSINESS SERVS (1) Penna. CHEMS (1) Hickson. ELECTRONICS (2) Belacom, Psion. HEALTH & HSEHOLD (1) Tepnel Diagnostics. MEDIA (1) Princedale. MTL & MTL FORMING (1) Cohen (A). MISC (1) Sam. Business.

FINANCIAL TIMES EQUITY INDICES

	Aug 10	Aug 9	Aug 6	Aug 5	Aug 4	Year ago	*High	*Low
Ordinary share	2360.3	2374.5	2361.0	2338.4	2330.3	1723.6	2374.5	2124.7
Ord. div. yield	3.91	3.88	3.90	3.94	3.96	5.21	4.52	3.88
Earning yld % full	4.71	4.67	4.70	4.69	4.74	7.59	6.38	4.67
P/E ratio net	27.12	27.38	27.21	27.30	27.10	16.62	27.38	19.40
P/E ratio nil	25.08	25.32	25.18	25.22	25.04	15.33	25.32	18.14
Gold Mines	211.2	206.9	203.4	218.5	215.1	[illegible]	[illegible]	60.9

*for 1993. Ordinary share index since compilation: high 2374.5 [illegible] Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2374.3	2368.9	2369.7	2372.5	2368.2	2367.9	2367.8	2366.1	2362.2	2374.7	2360.3

Volume	Aug 10	Aug 9	Aug 6	Aug 5	Aug 4	Year ago
SEAQ Bargains	37,682	39,200	31,253	26,120	27,807	16,424
Equity Turnover(£m)†	-	1168.1	1481.3	1414.8	1558.8	1090.8
Equity Bargains†	-	38,250	36,080	32,186	37,081	20,227
Shares traded (mil)†	-	507.9	587.1	614.5	653.4	471.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

SUBDUED trading again dominated the day's events in the futures market, although the volume in traded options returned to more lively levels, writes Christopher Price.

The September contract on the FT-SE 100 opened brightly above the 3,000-level before a medium-sized seller appeared and the lack of buying interest immediately sent the future into reverse. Subdued investor interest appeared soon afterwards and September began a slow climb back, although trading activity continued poor.

But with a firm gilts market and further talk of Europe-wide interest rate cuts, September persevered and reached a new intra-day high of 3,006 in late morning trading.

From there, however, it started a slow decline as sellers appeared with hints in some dealing quarters that the market is looking overbought and could be due for a correction.

September closed at 2,983, a nine-point premium to its fair value of around 3. Turnover was a lowly 5,348 contracts.

Traded options returned to more active levels, with nearly 29,000 contracts traded, which was 10,000 better than Monday's total. The FT-SE option traded 5,648 contracts.

Hanson was easily the top traded stock option, reaching 4,657 contracts by the end of the session. Glaxo recorded 2,011 and P&O 1,750.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2971.6 -14.8	3406.8 +7.4	1476.65 -4.21

	Aug 10	Day's change %	Aug 9	Aug 6	Aug 5	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj.	Total Return
[illegible]											

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
[illegible]											

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
[illegible]												

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	low	Yield Int.	Red.
[illegible]						

OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

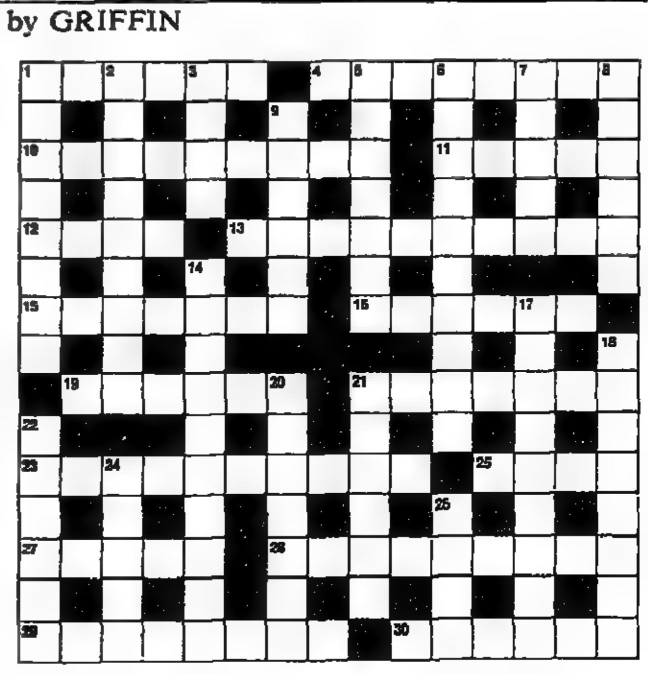
No.8,225 Set by GRIFFIN

ACROSS

1 Officer rejected tax disc size (6)
4 Catch oil running from universal (8)
10 Man leaving tried to disguise flag (9)
11 Char left without train ticket (5)
12 Curse job centre at Holyhead (4)
13 Calais tour designed to be brisk (10)
15 Mere lad lost a stone (7)
16 Sign name in a daze (6)
19 Conducts church music (6)
21 Total ban to include US city engineer (7)
23 Correcting engraving is ringing number (10)
25 Note US poster (4)
27 Home help returns here (5)
28 New sailing-ship made of gelatine (9)
29 Man encloses present, tied up (8)
30 Numbers still on board (6)

DOWN

1 Dismissed domed configuration as no longer fashionable (8)
2 Date it hit the poor outside-right (9)
3 After six look up music-maker (4)
5 Fruit a kinky pair take to bed (7)
6 Welcoming bighead into clinic last June (10)
7 Having brought nothing up try tongue (5)
8 Were we less patient about batsman's position? (6)
9 Lubricant in the bottom got very hot (6)
14 JP and I start game rolling (10)
17 Frank stirred tea for examinee (9)
18 Musicians left church tables around (8)
20 Dawn insures cook (7)
21 Joiner in part of outlaw (6)
22 About to enter trips over hand (6)
24 Check accounts of Saudi technology (5)
26 Therefore backing a monster? (4)



Solution 8,224

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	16¾xd	-⅛	20¾	15½	13,652	2.8
Allegheny & W ♥	701p	--	701p	338p	364.3	2.9
Amdahl	358p	—	591p	302½p	399.8	0.9
Amer Cyanamid	34½	-⅛	38⅝	31¼	3,110	3.4
Amer Express	22⅞xd	+⅛	22⅞	14⅞	11,088	2.9
Amer T & T	42⅛xd	+⅝	43¾	33⅞	56,437	2.1
Ameritech	55½	+1½	55½	46	24,299	4.5
BankAmerica	31⅛xd	+⅛	38⅛	27⅛	11,176	3.0
Bankers NY	52⅝xd	+⅛	52⅝	42⅝	4,223	4.0
Bell Atlantic	39⅝	+⅞	40⅜	32¼	17,214	4.5
BellSouth	38	+⅛	39⅞	32⅞	18,772	4.9
Bethlehem Steel ♥	9¾xd	+⅛	13¼	9	825.9	-
Bowater	1368pxd	+49	1882p	1287p	495.7	2.9
CPC	27¼xd	+⅛	34⅝	26	4,203	3.1
California Engy	1232p	—	1479p	1086p	224.3	-
Chase Manhattan	22⅞xd	+⅛	24½	17⅞	3,570	3.5
Chrysler	29⅛xd	+1⅛	32⅞	21¼	8,510	1.4
Citicorp	22¼xd	+⅛	22⅛	13⅛	8,087	-
Colgate-Palm	33⅛xd	+⅛	45⅝	32⅛	5,298	2.9
Cont'l Bank	1830p	+36	1877p	1278p	1,847	2.5
Dana	36⅞xd	-⅛	37⅛	29½	1,883	2.9
Data General	841p	-2	951p	527p	149.3	-
Decora Inds ♥	115p	—	148p	108p	-	-
Dun & Brad	39¼	+⅝	42⅛	37⅛	7,084	4.2
Eaton	30⅞	+⅛	31⅞	25⅛	2,148	2.6
Echlin	19⅝xd	+⅛	20½	15⅛	1,114	2.5
FPL	28⅝xd	+⅛	27⅝	23⅛	4,837	6.2
Ford Motor	38⅛xd	+⅝	38½	28⅛	17,145	1.9
Gen Elect	68¼xd	+⅞	67⅛	53⅞	57,007	2.5
General Host ♥	559p	—	723p	513p	-	4.3
Gillette	38½xd	+1⅛	42⅝	31⅛	7,801	1.8
Hasbro	20⅞	--	20⅞	20⅛	1,819	0.8
Honeywell	24⅛xd	+⅛	28½	20⅛	3,297	2.5
Houston Inds	31	+⅛	33¼	28⅛	4,014	6.5
Ingersoll-Rand	23⅛xd	+⅞	25	19⅛	2,448	2.0
Lockheed	42½	-⅝	48⅝	35⅛	2,607	3.3
Lowe's	2477p	—	2661p	1573p	1,807	0.9
Malvy Technology	220p	+15	220p	127p	-	-
Merrill Lynch	80⅛xd	+1⅛	80⅛	37	8,178	1.6
Morgan (JP)	48⅛xd	+⅛	48⅛	38⅛	9,245	3.3
Morris (Philip)	31⅛xd	+⅛	52⅝	28½	27,659	5.6
NYNEX	60⅞	+1⅞	64⅛	52¼	12,673	[illegible]
Pall	11⅝	+⅛	15	10⅞	1,348	1.8
Pennzoil	44¼xd	-⅛	44⅞	31½	1,802	4.5
Quaker Oats	43¼xd	+1⅛	50½	39⅞	3,118	3.0
Questar	175p	—	229p	161½p	18.4	-
Rockwell	23⅝xd	-⅛	23⅝	18⅞	5,181	2.8
Rep NY	35⅛xd	+⅛	37⅛	29¼	1,841	2.1
Sears, Roebuck	35⅛	-⅛	38¼	18⅛	9,436	2.9
Stwestern Bell n	27⅛	—	27⅞	23⅛	16,268	3.7
Sun Co	17¼xd	+⅛	21⅛	14⅞	1,888	6.8
Tenneco	33⅛xd	+⅝	34⅞	25½	5,632	3.2
Texaco	41⅞xd	+⅛	44⅛	37⅛	10,835	3.1
Time Warner	26xd	+⅛	28⅛	18⅝	9,858	0.8
UniSab ♥	473p	—	477p	358p	215.4	-
US West	31⅛	-⅛	31⅛	24⅛	13,003	4.6
Varity	2385p	—	2385p	1695p	721.2	-
WMX Technologies	21xd	+⅛	27⅛	19¼	10,268	1.9
Whirlpool	4409pxd	+185	4409p	2824p	3,082	1.9
Woolworth ♥	17⅞	+⅛	21½	16½	2,274	4.5

CANADIANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy ♥	2p	--	3p	2p	-	-
Amer Barrick	1720p	+13	1889p	890½p	4,903	0.3
Bk Montreal h	14⅛	+⅛	14⅛	11⅞	3,511	4.0
Bk Nova Scot	1426p	+29	1428p	1111p	2,979	3.9
BC Gas ♥	857p	+23	857p	723p	-	3.5
BCE	23¼	+⅛	26⅞	20⅛	7,121	5.7
Brascan ♥	700p	+2	721p	454p	577.3	7.4
Breakwater ♥	9⅞p	-⅛	16½p	9⅞p	6.28	-
Can Imp Bk	1720p	+36	1749p	1328p	3,574	3.8
Can Pacific	1118p	+19	1118p	810p	3,568	1.4
[illegible]						

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Tilon							
Travis Perkins							
Tudor							
Unigroup							
Waterhouse							
Wickes							
Wolseley							

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♧ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
j Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
x Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed
W Pro forma figures.
Z Dividend yield is zero.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8846. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (H) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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[illegible]

Lazard Investors Ltd ‡

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
Small Co's Jul 30	[illegible]	[illegible]	—	2.44
European Aug 4	[illegible]	739.1	—	1.48
American Aug 4	[illegible]	438.1	—	1.47
Japan Aug 4	[illegible]	618.6	—	0.88
Pacific Aug 4	[illegible]	202.2	—	0.86
Midland Gth Jul 30	[illegible]	140.70	—	3.7

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jul 31	178.50	182.15	—	6.74
Equity Jul 31	[illegible]	[illegible]	—	2.84

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond		115.11xd	+0.1	9.37
(Accum Units)		808.84	+2.0	9.37
NAAGF		47.72xd	+0.2	7.24

Merlin Jupiter Unit Trust Managers Ltd

Merlin Jupiter Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	212.51	12.73	—	—

Morgan Grenfell Investment Funds Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
UK Equity † Aug 10	174.3	178.3	+3.70	2.46
UK Small Co † Aug 10	611.3	637.0	+7.50	2.07
Fixed Interest † Aug 10	128.3	130.2	+1.20	[illegible]
Intl Bond Aug 10	148.8	150.1	+1.20	7.00

Morgan Stanley International

	Bid Price	Offer Price	+ or -	Yield Gross
UK Exempt NAV	£1408.80		—	—
Overseas Exempt NAV	£1380.75		—	—

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Pruflex				
Managed Aug 4	310.7	323.1	-	-

Prudential Corporate Pension Funds

55 King's Road, Reading RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Jul 28	£235.23	242.67	+2.88	-
Equity Jul 28	£262.09	271.31	+3.69	-
International Jul 28	£38.95	41.05	+0.59	-
Intl Bond Jul 28	£20.72	20.88	+0.17	-
Fixed Int Jul 28	£126.80	129.31	-0.55	-
Index Linked Jul 28	£92.55	93.89	-0.13	-
Property Jul 28	£111.23	117.34	-	-
Cash Jul 28	£33.70	33.70	+0.03	-
Pre-Linked Retirement Plan				
Managed Jul 28	545.10	567.90	+5.90	-
Cash Jul 28	305.20	318.00	+0.40	-
Prudential Pensions Investment Account				
Pens Mngd	238.70	243.60	+0.80	-
Pens Mngd A	101.40	108.80	+0.70	-
Pens UK Eq	381.00	410.80	-0.80	-
Pens Intl	291.00	312.10	-1.80	-
Pens Global Eqty	128.40	135.20	+0.40	-
Pens Fixed	392.20	309.50	+0.70	-
Pens Index Lk	238.30	251.60	+0.30	-
Pens Property	90.40	95.30	-	-
Pens Cash	199.40	210.10	+0.08	-
Money Purchase Plan				
Discretionary (2)	131.30	140.80	+0.50	-
Equity (2)	134.80	145.00	+0.70	-
International (2)	133.00	142.10	+0.10	-
Global Equity (2)	133.80	143.70	-0.50	-
Intl Bond Feb (2)	146.50	164.10	-	-
Fixed Interest (2)	145.50	152.90	-1.10	-
Index Linked (2)	130.80	137.60	-0.30	-
Property Feb (2)	101.20	110.80	-	-
Cash (2)	116.30	121.10	-0.10	-

Prudential Individual Life Funds

55 King's Road, Reading, RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Series I Life Funds				
Managed	724.4	762.6	-1.8	-
Equity	1404.7	1478.7	-2.0	-

Scottish Amicable - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Others				
Capital Guarantee Bond	102.6	108.0	+0.10	-

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	238.7	249.1	+0.7	-
UK Equity	222.5	234.2	-1.2	-
International	239.8	252.6	+1.4	-
American	239.2	251.8	+2.4	-
European	225.0	236.8	+0.7	-
Japan	256.5	270.0	+3.1	-
Pacific	334.2	351.8	+3.0	-
Technology	312.8	329.2	-2.8	-
Fixed Interest	178.7	188.1	+0.2	-
Indexed Linked	158.5	166.8	+0.2	-
Foreign Bond/Currency	225.4	237.3	-0.7	-
Cash	173.630	182.773	+0.025	-
Ethical	120.6	126.3	-	-
Pens Mixed	679.5	715.2	-3.8	-
Pens UK Equity	787.2	790.8	-2.9	-
Pens International	743.6	782.7	+7.2	-
Pens American	243.0	255.8	+1.5	-
Pens European	260.9	274.6	-0.4	-
Pens Japan	311.0	327.4	+4.6	-
Pens Pacific	380.8	400.8	+5.1	-
Pens Fixed Interest	364.0	383.2	-0.5	-
Pens Index Linked	198.8	208.9	-0.2	-
Pens Cash	228.679	291.241	-0.039	-
Pens Property	213.36	224.59	-	-
Pens Ethical	165.1	183.1	-	-
Edinburgh Inv	382.2	381.3	-1.2	0
Baillie Gifford Japan	253.1	266.4	+1.4	-

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	179.4	189.0	+0.1	-
UK Equity	329.3	346.7	-	-
American	239.1	251.8	-2.9	-
Pacific	326.8	344.1	-2.0	-
European	422.4	444.7	+0.2	-
International	287.1	302.3	-0.8	-
Fixed Interest	239.8	252.4	+0.5	-
Index Linked	194.3	204.6	+0.1	-
Deposit	189.8	195.7	+0.1	-
Managed	264.8	278.8	-0.3	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark triumphs again

Several European currencies were again humbled by the D-Mark yesterday as the German currency continued its recent rise, *writes Stephanie Flanders.*

Almost all the European currencies lost ground against the D-Mark, but the French franc and the Irish punt were in the spotlight, losing two and five pfennigs respectively against the D-Mark in morning trading.

During the afternoon, however, the French currency recovered to close at FFr3.521 compared to Monday's London close of FFr3.507. The Irish unit was less fortunate and was still floundering at the close of trade.

The immediate trigger for the D-Mark's losses was the Bundesbank's morning signal that it would not allow short term German interest rates to fall lower in the near future. But analysts said that traders were being driven by the same reasoning as before.

"There's now an established tendency to lean on several of the ERM currencies," said Mr Michael Burke, economist at Citibank in London. "The market is getting the bit between its teeth: in the absence of a significant loosening in countries like France and Belgium, the markets intend to achieve the same thing through pushing down the currency instead."

Several observers commented that trading volumes had picked up somewhat during Monday and Tuesday, although few thought that there would be a dramatic flight from a single currency. Steady pressure on almost all the non-German ERM countries was more likely, they said.

In line with this view, the Danish Krone and Belgian franc also weakened significantly, closing lower against the D-Mark. The Portuguese and Spanish currencies fared better, but closed down on the day nevertheless.

Many were surprised to see the Irish currency come under such pressure, given its recent high standing within the ERM grid. Yesterday's fall was said to be partly a knock-on effect from sterling's weakness, as well as the same market desire for a depreciation affecting the continental European currencies.

"If anything, the Irish are the ones in the ERM with the best arguments for a strong currency," said one analyst. "If the Irish Central Bank has not been intervening to support the punt or making these arguments, it must be because they've learned from the French experience that it's a hopeless fight."

Sterling and the dollar were both also frail yesterday, although on the cross the US currency had the upper hand, closing at DM1.710.

The pound slid to DM2.5275 on the London exchanges. This was ¾ of a pfennig lower than the previous day's close. But dealers said it would soon form a base and that yesterday's weakness was simply the result of the strong D-Mark.

£ IN NEW YORK

Aug 10	Latest	Previous Close
£ Spot	1.4795 - 1.4805	1.4977 - 1.4987
1 month	0.38 - 0.37pm	0.37 - 0.34pm
3 months	1.00 - 0.98pm	0.99 - 0.96pm
12 months	2.77 - 2.67pm	2.69 - 2.56pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Aug 9

OTHER CURRENCIES

Aug 10	£	$
Argentina	1.4825 - 1.4845	0.9990 - 1.0000
Australia	2.1645 - 2.1665	1.4630 - 1.4690
Brazil	115.505 - 115.510	77.8080 - 77.8100
Finland	8.6340 - 8.6645	5.8300 - 5.8500
Greece	349.550 - 356.650	234.950 - 239.750
Hong Kong	11.4940 - 11.5085	7.7500 - 7.7510
Iran	2345.00 - 2355.00	1580.00 - 1590.00
Korea(Sth)	1196.10 - 1215.40	805.90 - 812.30
Kuwait	0.45050 - 0.45150	0.30130 - 0.30170
Luxembourg	53.70 - 53.80	36.30 - 36.40
Malaysia	3.7830 - 3.7900	2.5520 - 2.5530
Mexico	4.6125 - 4.6155	3.1070 - 3.1080
N.Zealand	2.7010 - 2.7050	1.8195 - 1.8220
Saudi Ar.	5.5610 - 5.5725	3.7495 - 3.7505
Singapore	2.3890 - 2.3956	1.6110 - 1.6130
S.Af (Cm)	4.9890 - 5.0000	3.3675 - 3.3690
S.Af (Fn)	6.9250 - 6.9400	4.6650 - 4.6750
Taiwan	39.90 - 40.05	26.90 - 27.00
U.A.E.	5.4345 - 5.4470	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.15546	-1.88	7.00	-
D-Mark	1.94964	1.91414	-1.82	6.94	-
Belgian Franc	40.2123	40.7507	1.34	3.60	-10
Irish Punt	0.808628	0.822410	1.70	3.23	-11
Portuguese Escudo	192.854	197.627	2.47	2.46	-17
French Franc	6.53883	6.74787	3.19	1.74	-27
Spanish Peseta	154.250	160.155	3.83	1.12	-27
Danish Krone	7.43679	7.80795	4.99	0.00	-34

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
French Franc	10¼ - 9¼	10½ - 10	10¼ - 9¼	8½ - 8	7½ - 7	6½ - 6
Italian Lira	12½ - 11½	13 - 12	10 - 8½	9¼ - 8⅞	9 - 8⅝	8⅞ - 8⅝
Belgian Franc	12½ - 11½	13 - 12	12 - 11¼	10¼ - 9½	8¼ - 7¾	7¼ - 6¾
Yen	3¼ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3¼ - 3⅛	3¼ - 2⅞	3⅛ - 3⅛
Danish Krone	11 - 10	19 - 15	19 - 15	13½ - 12	10 - 9	9¼ - 8¼
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 3½	4 - 3	4 - 3	4¼ - 3¼
Spanish Peseta	11⅞ - 11⅝	11⅞ - 11⅝	11⅞ - 11⅝	11¼ - 11	10⅝ - 10⅜	10⅛ - 9⅞
Portuguese Esc.	11½ - 11	11¼ - 11¼	12 - 11½	11⅝ - 11¼	11¼ - 10⅞	10⅞ - 10⅝

Long term Eurodollars: two years 4⅜-4¼ per cent; three years 4¾-4⅝ per cent; four years 5⅛-5 per cent; five years 5⅜-5¼ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice

EXCHANGE CROSS RATES

Aug 10	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.478	2.528	154.8	8.900	2.245	2.848	2392	1.911	53.75	210.8	1.326
$	0.677	1	1.710	104.7	6.022	1.519	1.925	1618	1.293	36.37	142.5	0.897
DM	0.396	0.585	1	61.23	3.521	0.888	1.126	946.2	0.756	21.26	83.31	0.525
YEN	6.460	9.548	16.33	1000.	57.49	14.50	18.38	15452	12.34	347.2	1360	8.566
F Fr.	1.124	1.661	2.840	173.9	10.	2.522	3.197	2688	2.147	60.39	236.6	1.490
S Fr.	0.445	0.658	1.126	68.95	3.964	1	1.267	1066	0.851	23.94	93.81	0.591
N Fl.	0.351	0.520	0.889	54.41	3.128	0.789	1	840.8	0.672	18.89	74.02	0.466
Lira	0.418	0.618	1.057	64.72	3.721	0.939	1.190	1000.	0.799	22.47	88.04	0.554
C $	0.523	0.773	1.323	81.00	4.657	1.175	1.489	1252	1	28.13	110.2	0.694
B Fr.	1.860	2.750	4.703	288.0	16.56	4.177	5.293	4450	3.555	100.	391.8	2.467
Pta	0.475	0.702	1.200	73.50	4.226	1.066	1.351	1136	0.907	25.52	100.	0.630
Ecu	0.754	1.115	1.906	116.7	6.712	1.693	2.146	1804	1.441	40.54	158.8	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS · LIFFE EURO SWISS FRANC OPTIONS · LIFFE BUND FUTURES OPTIONS · LIFFE EUROMARK OPTIONS · LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS · LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
118	-	3.96	-	0.01	0.13	-
119	3.27	-	-	-	0.28	-
120	2.27	-	-	0.03	0.43	0.32
121	1.33	1.60	-	0.08	0.74	-
122	0.58	1.08	-	0.30	1.17	-
Open Int	145,835	76,636	21,290	223,006	69,928	15,345

Estimated volume 44,130 † Total Open interest 572,142

† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.4795	1.4758	1.4697	1.4628	1.4525

MONEY MARKETS

French roller-coaster

French futures had a frenetic day yesterday, initially heading downwards before a dramatic late rally, *writes Stephanie Flanders.*

The September Pibor initially fell with the French currency, falling 17 basis points to reach a low of 92.93. There was clearly a sense that the pressure on the franc would slow the pace of interest cuts.

Later however, the mood changed dramatically, with September futures reaching a contract high of 122.28.

The late gains were due to speculation about German interest rate cuts following the D-mark's recent strength against all the major European currencies. The shift was ironic, given that that the franc's morning fall had been partly triggered by the Bundesbank's decision to set a fixed unchanged fixed repo of 6.80 per cent at yesterday's tender, which were thought to lessen the prospects of lower German rates.

The Bundesbank's decision was driven by a desire to regain control over money market rates. Traders said that they still expected the German central bank to cut its discount rate by *half a percentage point* at the first post-recess council meeting on August 26.

"This is a technical adjustment – the Bundesbank was in a difficult situation after the call money rate fell below the discount rate," said Bank Julius Baer economist Gerhard Grebe.

Sterling money markets were a good deal more tranquil on Tuesday compared to the previous day, since there was neither important economic news nor difficulties at the short end to stir the market. "Unlike recent weeks, it was really a pretty ordinary August day," said one trader.

Most of a large £1.2bn shortage was removed early on in Bank of England operations which a number of traders described as "easy-going" on both sides.

As a result, overnight rates fell as low as 4¾ per cent through late-morning, before tightening a little in the afternoon to close at around 5¼ per cent. Overnights had risen slightly first thing, in a hangover from the exceptional difficulties of the previous day.

Trading further out was similarly low-key. Yearly money closed up 1/16 at 5⅝ per cent, while three month money closed unchanged. Sterling futures were more lively, with the September contract catching up a little of the ground which it has lost on December sterling in recent weeks. The September contract gained 5 basis points to close at 94.21, while December sterling was unchanged at 94.67.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 10) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3½	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.98	Three year	4.38
Broker loan rate	5	Two month	3.00	Five year	5.13
Fed.funds	3	Three month	3.18	Seven year	5.42
Fed funds at intervention	-	Six month	3.27	10-year	5.80
		One year	3.49	30-year	6.45
		Two year	4.08		

Aug 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.75-6.90	6.60-6.75	6.55-6.70	6.45-6.55	6.30-6.45	7.75
Paris	9¾-10	9¾-10¼	-	8.20-8.70	-	6.75
Zurich	4⅝-4⅞	4⅞-4¹¹⁄₁₆	-	4⅞-4¹¹⁄₁₆	-	-
Amsterdam	6.62-6.75	6.38-6.48	-	6.10-6.20	-	-
Tokyo	3³⁄₁₆-3¼	-	-	-	-	-
Milan	10³⁄₁₆-10¹³⁄₁₆	9⅞	-	9¼-9½	-	-
Brussels	11¼-12¼	12⅛-12⅞	-	9⅞-10⅝	-	-
Dublin	6⅜-6½	6¹⁵⁄₁₆-7¹⁄₁₆	6¾-6⅞	6⁹⁄₁₆-6¹¹⁄₁₆	6⅝-6¾	-

LONDON MONEY RATES

Aug 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA, BELGIUM/LUXEMBOURG, DENMARK, FINLAND, FRANCE, GERMANY, ITALY, NETHERLANDS, NORWAY, SPAIN, SWEDEN, SWITZERLAND, SOUTH AFRICA, JAPAN, AUSTRALIA, HONG KONG, MALAYSIA, SINGAPORE: [illegible]

CANADA

TORONTO

4 pm close August 10

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close August 10

[illegible]

INDICES

NEW YORK DOW JONES, STANDARD AND POOR'S, NYSE Composite, Amex Mkt. Value, NASDAQ Composite: [illegible]

NEW YORK ACTIVE STOCKS: [illegible]

TRADING ACTIVITY: [illegible]

CANADA TORONTO: [illegible]

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation.

THAILAND						
Bangkok SET (30/4/75)	955.09	952.77	959.94	948.55	995.44 (25/1)	818.84 (7/6)
WORLD						
M.S. Capital Intl (1/1/70) $	583.6*	585.4	583.5	583.0	585.40 (10/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1091.35	1088.17	1092.58	1086.77	1098.17 (9/8)	852.73 (13/1)

**Saturday August 7: Taiwan Weighted Price 4026.84; Korea Comp Ex 716.55

♥ Subject to official recalculation.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1 000; JSE Gold - 255.7; JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, August 10, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.7m	368	+1	Kawasaki Steel	3.2m	354	-3
Mitsubishi Heavy	3.9m	683	+15	Mitsui Co Ltd	3.1m	780	+13
NEC Corp	3.7m	1,010	+17	Nippon Express	3.0m	1,100	+20
Matsushita E Ind	3.6m	1,390	+10	SXL Corp	2.8m	1,470	+50
Nikko Sec	3.2m	1,220	+30	Sekisui House	2.8m	1,310	+20

4 pm close August 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	875	18	13½	13⅜	13½	-⅛
20⅞	13¾	A L Labs A	0.18	1.0	35	1863	17⅝	17⅝	17½	+⅛
65¾	54⅝	AMP Inc	1.60	2.4	23	2284	u65⅞	65⅛	65⅝	+½
72¾	55½	AMR			17	10305	66½	64⅛	66¼	+1⅝
2¾	1¾	ARX			15	2	2½	2½	2½	+⅛
51½	28⅞	ASA	2.00	4.3	30	1199	46⅛	45¾	46⅛	
30¾	22⅞	Abbott Lab	0.68	2.9	15	11531	24¼	23¾	23¾	-½
12⅝	9⅞	Abitibi Pr	0.50	4.8	4	14	10⅜	10¼	10⅜	
14¼	8¼	Acclaim			233	338	14	13¾	14	+⅛
32½	25½	ACE Ltd	0.40	1.2		799	u33	32¼	32¼	-¼
12	10¾	ACM Gvt In x	0.96	8.6		1149	11⅛	11⅛	11⅛	-⅛
10	9⅛	ACM GvOpp x	0.80	8.0		67	u10	9⅞	10	
9⅞	8¾	ACM Gvt Sp x	0.80	8.7		869	9⅛	9⅛	9⅛	
11⅝	10½	ACM Gvt Se	0.96	8.8		2394	11	10⅞	10⅞	
11⅝	9⅝	ACM Man x	1.08	9.5		163	11½	11⅜	11⅜	-⅛
9⅜	8⅝	ACM Manage x	0.72	7.8		257	9¼	9⅛	9⅛	-⅛
12⅝	7¾	Acme Cleve	0.44	4.0	14	165	11¼	10¾	10⅞	+⅜
9¼	6½	Acme Elect			254	12	7⅜	7⅜	7⅜	
24⅞	18⅜	Acordia	0.44	1.8	14	288	u24⅞	24⅜	24¼	
16	10⅜	Acuson			32	920	11⅞	11⅝	11¾	-⅛
22¼	19⅝	Adams Expr	0.48	2.4	7	65	20¼	20⅛	20¼	+⅛
66	45½	Ad Micro	3.00	5.0		328	60	59½	59⅞	+⅛
32¾	17⅝	Ad Micro P	3.00	10.6	11	6214	28¾	28¼	28⅜	-⅛
7¾	5½	Advest Grp	0.16	2.8	10	645	6⅜	6¼	6¼	+⅛
24¾	16¼	Advo Inc	0.08	0.5	18	133	16⅝	d16¼	16½	+⅛
49⅜	41⅛	Aegon ADR	2.95	6.3	9	149	46⅞	46¾	46¾	-⅛
60	43⅜	Aetna Lf	2.76	4.7	41	2291	59⅜	58¾	59¼	+⅜
14½	11½	Afil A	0.26	1.8	30	613	14⅜	14¼	14⅜	+⅛
32¼	26½	Aflac	0.40	1.3	15	1401	31¼	30⅝	31⅛	+⅛
22⅛	16¾	Ahmanson	0.88	4.6	22	2070	19⅝	19¼	19¼	-⅛
7¾	4	Aileen Inc			6	174	4⅞	4⅞	4⅞	-⅛
46½	37½	Air Pr Chm	0.92	2.2	16	3582	42¾	41¾	42⅛	+⅜
[illegible]										

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4 pm close August 10

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close August 10

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- P - Q -

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- U -

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- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close August 10

AMERICA

Profit-taking brings Dow back from high

Wall Street

EQUITIES fell from their record highs in spite of fresh declines in long-term interest rates, *writes Patrick Harverson in New York*.

At 1 pm, the Dow Jones Industrial Average was down 7.27 at 3,568.81. The more broadly based Standard & Poor's 500 was 1.21 lower at 449.51, while the Amex composite was down 0.20 at 438.60, and the Nasdaq composite down 1.86 at 716.63.

NYSE volume was 157m shares by 1 pm. After Monday's record-breaking run, some investors chose to take profits on recent gains. The fall in prices, however, also reflected a still uncertain mood.

Monday's advance was powered primarily by falling interest rates, and although rates continued to drop yesterday – the yield on the benchmark 30-year bond dropped to 6.45 per cent, the lowest point in the bond's history – stocks did not respond. Instead, selling pressure pulled prices lower across the board.

Each time stocks have posted new record highs this year, they have fallen back almost immediately. The lack of follow-through was evident again yesterday, suggesting that investors remain nervous about the fact that prices keep reaching new heights in spite of relatively poor economic fundamentals.

Among individual stocks, Procter & Gamble fell $1⅛ to $46¼ in volume of 1m shares after the big consumer products manufacturer announced a fourth quarter loss of $1.83 a share, compared with a profit of 46 cents a share a year ago. The loss followed a $1.5bn charge for the cost of plant consolidations and other organisational restructuring.

Some big retailing stocks fell on disappointing earnings. Among them were Wal-Mart, down $½ at $25 in heavy trading, Dillard Department Stores, down $2¼ at $35¼, and The Limited, $¼ lower at $21⅛.

Eastman Kodak continued to rally as investors looked forward to an improvement in the company's earnings following the departure last week of its chairman, Mr Kay Whitmore. The shares added another $⅜ at $60⅝ in heavy trading.

Tandy fell $1¼ to $28⅜ after the computer company announced a sharp drop in quarterly operating earnings.

On the Nasdaq market, Scitex dropped $1¼ to $25¼ on news of second quarter earnings of 52 cents a share, down from 75 cents a share a year earlier.

Other stocks received a boost from strong second quarter results, including Huntco, up $2¼ to $19½, Teva Pharmaceutical, up $1⅜ to $26, and Merisel, by $1⅛ to $11⅜.

Profit-taking took the edge off leading technology stocks, with Apple down $1⅛ at $28⅜, Microsoft $1¾ lower at $71¼, and Sun Microsystems $⅝ lower at $27⅝.

Canada

TORONTO continued to advance in quiet midday trading in spite of further declines in gold stocks.

The TSE 300 Composite Index was up 8.7 to 4,010.9 in volume of 32.76m shares. Advances led declines by 314 to 265, with 259 unchanged.

All indices were up except transportation, consumer products and gold; the latter fell 146.58 to 9,156.36.

EUROPE

Ferruzzi plans weigh upon Italian banks

SENIOR bourses remained active, *writes Our Markets Staff*.

MILAN turned its attention back to Ferruzzi. The troubled group posted losses for the first five months of the year which were more than double earlier estimates as the Comit index eased 1.54 to 588.77.

Ferruzzi and Montedison were suspended ahead of a meeting of the Ferruzzi board, which said it was cutting its issued share capital to L205bn from L1,370bn and slashing the nominal value of its shares to L5 from L1,000. The Montedison board meets today.

The group's creditor banks were marked lower. Mediobanca, which leads the group of seven banks preparing a rescue plan, lost L505 or 3 per cent to 16,319. Credito Italiano shed L90 to L2,645, BCI fell L227 to L5,150 and San Paolo declined L243 to L8,817.

Fiat rose L99 to L7,009 in volume which picked up to almost 12.5m shares, as long-standing rumours resurfaced of an international sale or alliance.

Among telecommunications issues, Italcable continued its climb, adding L423 to L9,569 in volume of 11.8m shares in response to the planned merger with Sip.

FRANKFURT saw a sharp about-turn in financials, but there were some useful gains elsewhere as the DAX index eased 7.14 to 1,865.16. Turnover rose from DM7.5bn to DM8.9bn.

Bundesbank repo market action was seen as an attempt to stabilise money market rates after their recent sharp declines. Allianz fell DM35 to DM2,384, Commerzbank by DM7.70 to DM322 and Deutsche Bank by DM8.90 to DM773; Dresdner, which produced better than expected half-year results, fell by DM9 to DM410.50.

Ms Barbara Altmann at B Metzler in Frankfurt said that, while buyers were more cautious, the DAX had three tries at breaking through the 1,880 level yesterday, balking at an intra-day high of 1,879.49.

Good news included encouraging sales for Daimler's new Mercedes C range, but although the stock led the most actives list, it closed just DM1.50 higher at DM686. Auto-related stocks like MAN, DM14 better at DM326, and Varta, DM12.50 higher at DM320, produced the big gains in the sector, while Volkswagen fell again, by DM3.70 to DM367.50.

PARIS was more resilient than its German neighbour although here, too, there was a suggestion that buyers were waiting for lower prices. In the end, some dealers felt that they could not wait and the CAC-40 index fashioned an afternoon recovery to close 1.26 higher at 2,139.78 after falling by nearly 15 points during the session.

Turnover rose from FFr3.17bn to FFr3.44bn. Foreign interest remained, and Michelin seemed to benefit from an outperform rating from Lehman Brothers in New York as it rose another FFr2.10 to FFr193.50.

As in Frankfurt, motor industry sentiment was mixed. Peugeot closed unchanged at FFr687 before after-hours news of an 11.6 per cent drop in first half sales. Elsewhere, Lafarge-Coppee fell FFr5.60 to FFr450.40 on profit-taking.

ZURICH was dragged lower by futures related hedging, and renewed profit-taking in banks ahead of half-year figures which begin with UBS tomorrow. The SMI index fell 36.0 or 1.5 per cent to 2,384.5.

Some Swiss brokers have forecast profits growth from the banks of 40-50 per cent but London analysts are more cautious. They are looking for rises in the 20 to 30 per cent range which, while healthy, would still prove a disappointment to some investors.

UBS fell SFr29 to SFr1,181 and SBC was SFr13 lower at SFr458.

AMSTERDAM continued its advance, the CBS Tendency index rising 0.7 to 124.60 amid widespread short-covering by professionals who had shorted cyclical stocks in the false expectation that they were about to fall from recent highs.

Fokker, the aerospace group, added 50 cents at Fl 20.90 before announcing a first-half net loss after hours. Philips finished Fl 1 higher at a year' high of Fl 36.50, and its PolyGram affiliate rose Fl 1.90 to a 12-month high of Fl 61.40 after its better than expected half year figures and acquisition of Motown.

MADRID's volume stayed thin, although it rose from Pta10.5bn to Pta12.6bn as the general index closed 0.71 higher at 271.63. Banesto rose Pta70 to Pta2,330 as it completed the second stage of a massive, three-tier funding operation.

BRUSSELS saw more volatility in steels, Arbed erasing Monday's advance with a BFr260, or 6.1 per cent, fall to BFr4,015. The Bel-20 index eased 6.28 to 1,336.86.

STOCKHOLM took profits after its recent rally and the Affärsvärlden index dipped 10.9 to 1247.1. SKF B shares slipped SKr4 to SKr112; the company is expected to lead a string of earnings reports with a sharply higher loss today.

New highs came in DUBLIN and VIENNA, the former more spectacular as the ISEQ overall index closed 26.35, or 1.5 per cent higher at 1,745.39 with a 2.0 per cent gain in financials in further appreciation of Monday's AIB results. Austria's ATX index closed 4.87 higher at 1,009.70.

FT-SE Actuaries Share Indices

August 10 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1267.94	1265.92	1265.68	1264.84	1262.22	1259.83	1260.85	1261.80
FT-SE Eurotrack 200	1354.77	1353.84	1352.81	1352.70	1350.03	1349.45	1348.06	1348.51

	Aug 9	Aug 6	Aug 5	Aug 4	Aug 3
FT-SE Eurotrack 100	1263.95	1272.34	1268.56	1268.09	1261.49
FT-SE Eurotrack 200	1352.97	1348.44	1340.80	1339.61	1341.55

Base value 1000 (26/10/90) High/day: 100 - 1268.70; 200 - 1355.70 Low/day: 100 - 1259.39 200 - 1346.18.

Chile's traders adjust to less exhilarating events

David Pilling on the equity slowdown in Santiago

The heady days of 1991, when the Santiago stock exchange leapt by 124 per cent in dollar terms, are long past.

Chile's traders are adjusting to less exhilarating rates of return as the export-dominated economy, which expanded by 10.2 per cent last year, adapts to more difficult worldwide trading conditions.

However, excitement is not totally absent. In June, after a sluggish three months dominated by worries over the falling price of copper, cellulose and fish meal, the IPSA index of the 40 most heavily traded shares rebounded by around 10 per cent in dollar terms.

The rally, according to Mr James Walker, head of research at Celfin Consultants, was prompted by the recovery in the copper price, the country's main export, as well as signs that the domestic economy, which had been in danger of overheating, was beginning to cool. Mr Walker expects GDP to grow by a relatively modest 6 per cent this year.

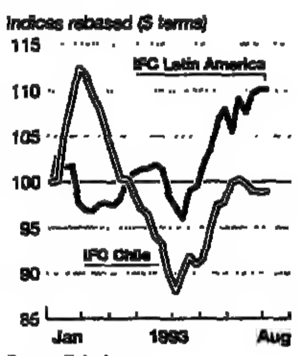
In July the equity market had mixed and ultimately marginal fortunes, with the IPSA 40 gaining nearly 1 per cent to close the month at 114.62. The month was dominated by uncertainty over forthcoming first-half results, and a lack of liquidity in financial markets which pushed up short-term interest rates.

In the event, most company results were significantly down on the same period last year, but many fared better than in the first quarter of 1993.

CTC, the telecommunications group, and Chile's biggest quoted company with an equity market capitalisation of around $3bn, bucked the downward trend by registering a strong growth in profits, as did Soquimich, the mining company, which saw profits rise 86 per cent to $13.2m after last year's restructuring. The beverage industry also did well as it responded to growing local demand.

A return to liquidity in the system in August and a feeling that results had not been as bad as expected contributed to a 4 per cent rise in the first week of trading. The IPSA index at one stage touched 118.84, its highest level of the year, closing on Monday at 118.51. Cervezas, the brewing group, and Entel the telephone company, were among the highest risers.

Chile



Source: Datastream

Most analysts remain optimistic about the prospects of the big four electricity groups in spite of heavily-dented first-half profits. The country's electricity generators and suppliers, among the largest companies on the Santiago bolsa with equity capitalisations of up to $2½bn, have big stakes in Argentina's newly privatised electricity industry. Analysts expect these investments to begin to show profits from early next year.

The banking sector looks more uncertain. A bill aimed at resolving the subordinated debt issue, which has dogged banks since the central bank took over their bad debts in the early 1980s, is expected to go before congress this month. Some banks have expressed unease over government proposals, but most analysts, including researchers at Salomon Brothers, feel that the banks should benefit from a resolution of the issue.

The same uncertainty has been felt over capital markets reform, which aims to broaden the investment options of institutions, particularly the powerful pension funds or AFPs. Mr Karl Kluever, manager of Vestcorp Chile, the stockbroker, says that institutions are adopting a "wait and see attitude".

Although much of the effects of the reform, which should come into effect over the next few months, are already reflected in share prices, there is expected to be some realignment of portfolios as the AFPs buy into second-tier stocks. Institutions are currently restricted to blue-chip companies.

Most traders believe that the Santiago bolsa, though less spectacular than some other Latin American markets, notably Peru, is likely to remain a fairly safe bet. Interest rates seem set to come down as inflationary pressures ease, while big Chilean companies, like Soquimich, are still queueing up to make ADR issues.

Researchers at First Boston believe that the two trends should combine to produce "good upside potential in the medium to long term".

Mr Kluever predicts that the bolsa will yield a real return of around 14-16 per cent by the end of the year, an assessment which is more or less in line with that of most other analysts.

ASIA PACIFIC

Obon holiday season takes its toll of Nikkei

Tokyo

ARBITRAGE activity dominated trading, with most investors absent for the Obon holiday period, and share prices closed almost unchanged, *writes Emiko Terazono in Tokyo*.

The Nikkei average rose by just 0.70 to 20,493.75. Initial optimism about economic stimuli from the new government produced a day's high of 20,655.27, but a fall in the futures market depressed the index to a day's low of 20,476.35 in late afternoon.

Volume rose to 280m shares from 187m. Advances led declines by 524 to 415 with 215 unchanged, the Topix index of all first section stocks ended 2.21 higher at 1,661.22 and, in London, the ISE/Nikkei 50 index rose 2.66 to 1,267.45.

Afternoon trading concentrated on a press conference given by Mr Morihiro Hosokawa, the new prime minister. Futures traders were discouraged by Mr Hosokawa's cautious stance on income tax cuts and the issue of government bonds to cover a budget deficit.

However, specific sectors were bought on Monday's comments by individual ministers after their inauguration. Mr Kozo Igarashi, the construction minister, hoped for housing tax cuts, while Mr Hiroshi Kumagai, the minister for industry and trade, indicated support for "new" infrastructure projects centred around telecommunications.

Housing and real estate companies gained ground. SxL, a home builder, rose Y50 to Y1,470, Sekisui House gained Y20 to Y1,310 and Mitsui Fudosan rose Y20 to Y1,330.

Nippon Telegraph and Telephone rose Y19,000 to Y946,000 in active trading. KDD advanced Y300 to Y12,800 ahead of the listing of DDI, a new telecoms company.

Nikko Securities rose Y30 to Y1,220 on the restructuring theme, although other brokers remained mixed. City banks were lower on profit-taking, with Industrial Bank of Japan down Y10 to Y3,390 and Bank of Tokyo falling Y20 to Y1,760.

Warehousing groups were higher on hopes that the new government's efforts to spur domestic demand would support profits. Mitsubishi Warehouse and Transportation rose Y10 to Y1,670 and Mitsui Soko advanced Y15 to Y924.

In Osaka, the OSE average closed up 104.16 at 22,456.22 in volume of 14m shares. Murata Mfg rose Y30 to Y3,180 on buying by foreign investors.

Roundup

SOME strong performances were seen in the Pacific Rim region.

SINGAPORE climbed after its holiday as the government announced that the economy had grown at an unexpectedly strong 10.1 per cent in the second quarter.

The Straits Times Industrial index rose 27.59 to 1,898.84, but profit-taking left it unable to maintain a record intra-day high of 1,912.14.

AUSTRALIA advanced as the shine returned to golds and the All Ordinaries index closed up 16.1 at 1,860.4.

The gold marker gained 99.2, or 4.6 per cent, to 2,247.8. North Flinders Mines was 90 cents higher at A$13.60.

SEOUL saw a technical rebound in response to three consecutive days of losses, aided by a buying spree in construction issues on hopes that the government would decide today to boost infrastructure investment. The composite index rose 9.85 to 719.44.

MANILA was driven higher by heavy buying of PLDT and the newly-listed JG Summit which spilled over into other stocks, and the composite index rose 18.40 to 1,734.19.

A $1 overnight rise in PLDT to $41 on Wall Street fuelled local buying and the price rose by 10 pesos to 1,095 pesos. Summit closed at 6.40 pesos, up from the previous 6 pesos.

HONG KONG's property sector was hit by rumours that Hang Seng Bank might be about to tighten mortgage lending and the Hang Seng index, down almost 100 points at one stage, finished 52.41 lower at 7,329.81.

Cheung Kong shed 40 cents to HK$27.60, Hongkong Land lost 30 cents to HK$16.30 and Sun Hung Kai Properties fell 50 cents to HK$38.25.

JAKARTA felt the benefit of more good half-year corporate results and the official index rose 5.30 to 369.83.

SOUTH AFRICA

Nervousness about the outlook for bullion prices took over after a confident start ran out of steam. The gold index added 9 to 1,875 after an early 1,895, industrials edged 9 lower to 4,571 and the overall index rose 1 to 4,042.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 9 1993								FRIDAY AUGUST 6 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	141.70	-0.1	140.67	93.92	125.02	138.36	-0.3	3.63	141.88	140.42	93.72	125.22	138.72	144.63	117.38	138.72
Austria (17)	167.13	+1.8	165.91	110.77	147.45	147.23	+1.2	1.32	164.13	162.44	108.42	144.85	145.49	167.13	131.16	142.36
Belgium (42)	148.59	-0.1	147.50	98.47	131.09	132.10	-0.2	4.33	148.67	147.14	98.20	131.21	132.36	156.76	131.19	146.47
Canada (108)	126.66	+1.0	125.73	83.94	111.74	118.45	+1.0	2.85	125.38	124.07	82.80	110.62	117.23	130.38	111.41	127.74
Denmark (33)	215.24	-0.3	213.67	142.66	189.90	200.53	+0.1	1.13	215.99	213.77	142.68	190.62	200.35	225.64	185.11	233.59
Finland (23)	109.97	+2.9	109.16	72.89	97.02	132.99	+2.7	0.91	106.84	105.74	70.57	94.29	129.54	109.97	65.50	70.54
France (97)	160.76	-0.7	159.58	106.54	141.82	150.10	-0.4	3.08	161.94	160.27	106.96	142.90	150.70	167.36	142.72	157.35
Germany (60)	119.97	+0.1	119.10	79.52	105.84	105.84	+0.1	2.00	119.84	118.60	79.17	105.76	105.76	119.97	101.59	118.68
Hong Kong (55)	294.51	-0.2	292.36	195.19	259.85	293.13	-0.2	3.24	295.03	291.99	194.88	260.38	293.70	301.61	218.82	243.60
Ireland (15)	169.20	+2.7	167.97	112.14	149.28	170.23	+2.0	3.24	164.69	163.00	108.79	145.35	166.95	170.40	129.28	156.49
Italy (70)	72.91	+0.4	72.38	48.32	64.32	87.81	+0.8	1.86	72.65	71.90	47.93	64.11	87.12	72.91	53.78	63.84
Japan (470)	157.45	+0.0	156.30	104.35	138.93	104.35	+0.3	0.79	157.52	155.90	104.05	139.03	104.05	158.82	100.75	89.36
Malaysia (69)	362.79	+0.1	360.14	240.44	320.07	356.36	+0.1	1.91	362.35	358.62	239.34	319.77	355.93	364.55	251.66	240.72
Mexico (19)	1642.98	+0.0	1630.96	1088.91	1449.53	5568.39	+0.0	0.88	1642.27	1625.38	1084.82	1449.35	5588.72	1725.81	1410.30	1401.21
Netherland (24)	172.48	+0.3	171.22	114.31	152.18	150.36	+0.4	3.59	171.92	170.15	113.56	151.72	149.83	172.75	150.39	160.85
New Zealand (13)	57.99	+0.2	57.57	38.44	51.17	56.11	+0.5	3.97	57.85	57.26	38.22	51.06	55.84	57.99	40.56	44.74
Norway (22)	164.75	+0.2	163.55	109.19	145.36	164.86	+0.4	1.60	164.35	162.66	108.56	145.05	164.13	168.21	137.71	153.98
Singapore (38)	262.43	+0.2	260.51	173.93	231.53	194.77	+0.0	1.77	261.86	259.17	172.98	231.10	194.77	263.94	207.04	200.97
South Africa (60)	197.68	-0.5	196.23	131.01	174.40	203.72	+0.7	2.51	198.70	196.66	131.25	175.36	202.39	215.29	144.72	209.80
Spain (43)	120.63	-0.7	119.75	79.96	106.43	128.36	-0.3	4.55	121.47	120.22	80.24	107.20	128.69	132.82	115.23	139.22
Sweden (36)	187.21	+1.2	185.84	124.08	165.17	219.15	+0.5	1.54	185.04	183.14	122.24	163.31	217.98	187.21	149.70	184.91
Switzerland (50)	130.68	-0.1	129.73	86.62	115.31	121.77	+0.1	1.78	130.81	129.47	86.41	115.46	121.69	130.81	108.91	111.84
United Kingdom (218)	181.86	+0.2	180.54	120.52	160.44	180.54	+0.5	3.87	181.51	179.65	119.89	160.18	179.65	181.99	162.00	177.47
USA (520)	184.35	+0.5	183.00	122.19	162.65	184.35	+0.5	2.77	183.50	181.61	121.22	161.95	183.50	186.27	175.38	170.87
Europe (750)	150.60	+0.1	149.50	99.82	132.88	144.93	+0.3	3.09	150.48	148.93	99.40	132.81	144.54	150.60	133.92	145.25
Nordic (114)	174.96	+1.0	173.68	115.96	154.36	180.95	+0.7	1.37	173.27	171.48	114.45	152.91	179.72	174.96	142.13	170.86
Pacific Basin (714)	160.99	+0.0	159.82	106.71	142.04	111.21	+0.2	1.06	161.07	159.41	106.40	142.15	110.94	162.17	105.89	96.32
Euro-Pacific (1464)	156.61	+0.0	155.47	103.79	138.17	125.07	+0.3	1.86	156.61	154.99	103.44	138.20	124.76	156.64	117.26	116.11
North America (628)	180.76	+0.5	179.44	119.81	159.50	179.86	+0.5	2.78	179.88	178.03	118.84	158.78	178.99	182.38	171.51	168.17
Europe Ex. UK (532)	131.01	+0.0	130.06	86.85	115.61	124.18	+0.1	2.56	131.01	129.66	86.55	115.64	124.03	131.01	112.51	125.41
Pacific Ex. Japan (244)	196.40	-0.1	194.96	130.19	173.29	181.01	-0.1	3.06	196.52	194.50	129.83	173.45	181.23	196.79	152.70	165.02
World Ex. US (1651)	156.93	+0.0	155.78	104.01	138.46	127.10	+0.3	1.88	156.89	155.28	103.64	138.46	126.75	157.11	118.51	118.33
World Ex. UK (1953)	163.44	+0.2	162.25	108.33	144.21	141.33	+0.3	2.04	163.14	161.46	107.77	143.99	140.86	163.44	134.22	131.13
World Ex. So. Af. (2111)	164.97	+0.2	163.76	109.35	145.56	144.39	+0.3	2.21	164.65	162.96	108.77	145.32	143.89	164.97	137.29	134.67
World Ex. Japan (1701)	171.18	+0.3	169.93	113.47	151.05	167.51	+0.4	2.38	170.68	168.92	112.75	150.65	166.89	171.18	157.47	160.45
The World Index (2171)	165.08	+0.2	163.87	109.41	145.65	144.89	+0.3	2.22	164.77	163.07	108.84	145.42	144.39	165.08	137.32	135.13

Latest prices were unavailable for this edition. Singapore market closed August 9.